E2 Metals Limited

ABN 34 116 865 546

Annual Report - 30 June 2017

The consolidated entity's 2017 Corporate Governance Statement is available at www.e2metals.com.au/corporate-governance

Directors	Mr Simon Peters (Managing Director) Mr Chris Spurway (Technical Director) Ms Melanie Leydin (Chairperson) Mr Justin Klintberg (Non-Executive Director)
Company secretaries	Mr Justin Mouchacca Ms Melanie Leydin
Registered office	Level 4 100 Albert Road South Melbourne VIC 3205 Phone: 03 9692 7222 Fax: 03 9077 9233
Principal place of business	Level 7 24-28 Collins Street Melbourne VIC 3000
Share register	Link Market Services Tower 4, 727 Collins Street Docklands VIC 3008 Phone: 1300 554 474
Auditor	William Buck Level 20, 181 William Street Melbourne VIC 3000
Stock exchange listing	E2 Metals Limited shares are listed on the Australian Securities Exchange (ASX: E2M)

Financial results

The loss for the consolidated entity after providing for income tax amounted to $852,401 (30 June 2016: $53,662).

During the financial year, the consolidated entity reported corporate expenditure of $609,962 (2016: $54,217). This was largely made up of expenses associated with the consolidated entity's listing on the ASX in April 2017. The consolidated entity also recognised $185,774 in employment expenses (2016: $nil). The increase in 2017 was a result of Directors agreeing to forgo their wages until the successful listing of the consolidated entity on the ASX.

Closing cash at 30 June 2017 was $4,608,339 (2016: $38,776). The increase was a result of the consolidated entity's successful IPO and listing on the ASX in April 2017. Closing capitalised exploration and evaluation was $1,456,914, an increase of $695,853 since 2016 ($761,061), due to additional funds spent on the Mount Hope and Neavesville projects.

Exploration projects

Following its listing on the ASX in April, the consolidated entity commenced exploration activities on its two projects, Mount Hope and Neavesville. A summary of operations during the course of the financial year is discussed below.

Mount Hope Project

Work conducted at Mount Hope during the 2017 financial year included:

- Acquisition of the remaining interest in the Project from China Waste Corporation Limited;
- Extensive review of historic data;
- Completion of Phase one drilling, targeting the high-priority gold prospect of Mount Solitary returned intercepts included:
  - 17MSR08 – 1m @ 1.6 g/t from 1m
  - 17MSR08 – 5m @ 2.79 g/t from 58m including 1m @ 10.55g/t from 59m;
- Completion of a second phase of drilling (assays pending);
- Regolith Study carried out; and
- Application submitted for ELA5507, situated to the west of Mount Solitary.

The Mount Hope Project (Figure 1) comprises EL6837, EL8058, and EL8290, (together with ELA5507 under application), located approximately 160 km south of Cobar and 95 km north of Hillston, in the Cobar Basin of central New South Wales. Acquisition of the remaining interest in the Project has been finalized. The most prospective of these tenements is EL6837, which contains a series of prospects: Mount Solitary, Little Mount Solitary, Powerline Hill and Mount Solar. These extend north-south over a distance of 6 km. The underlying geology is the early Devonian Broken Range Group comprised of laminated sandstone with minor interbedded siltstone. These rocks form part of a turbidite sequence deposited in the Mount Hope Trough and are part of the Cobar Super Group of the central Lachlan Fold Belt.

The consolidated entity completed a data base compilation and validation exercise, that comprised of a full review of all open file data and cross-referencing all data sources. This included all drilling and geochemical sampling reported within the tenement and the Mount Hope Project as a whole.

A drilling program (Phase 1) was carried out, comprising reverse circulation (RC) drilling with a small component of diamond core drilling, targeting extensions of known high-grade gold mineralisation that remains open at the prospect. A total of 7 holes were collared into the Mount Solitary Prospect for a total of 1144.5m of drilling. A number of narrow, lower tenor gold grade intercepts were reported along with coincident multi-element geochemistry anomalous in Bi, Sb, +/- W and Te.

Drilling encountered hydrothermal alteration associated with quartz veining, sulphides and anomalous multi-elements, similar to previously intersected mineralised intercepts and typical of the mineralisation sought.

Intercepts of note include are highlighted in Table 1.

Table 1: Significant Intercepts Greater than 0.5g/t Au[1]

Hole	Depth From	Depth To	Interval	Grade Au g/t
17MSR08	**0**	**1**	**1**	**1.60**
17MSR08	**30**	**31**	**1**	**1.21**
17MSR08	45	48	3	0.98
17MSR08	54	55	1	0.72
17MSR08	**58**	**63**	**5**	**2.79**
includes	**59**	**60**	**1**	**10.55**
17MSR08	**71**	**72**	**1**	**1.31**
17MSR08	86	87	1	0.54
17MSR12	88	89	1	0.50
17MSR12	**93**	**94**	**1**	**1.15**
17MSR12	154	155	1	0.98
17MSR12	**159**	**160**	**1**	**1.97**
17MSR13	145	146	1	0.62

Note: Assay intercepts are calculated based on a minimum weighted average grade of 0.5 g/t Au using a 0.5 g/t Au weighted average lower cut and a maximum internal waste interval of 2m. All assays were completed by ALS Laboratories using a 50gm Fire Assay charge with an AAS analysis.

A subsequent hole of (406 m) was drilled in August to follow up these intercepts (assays pending).

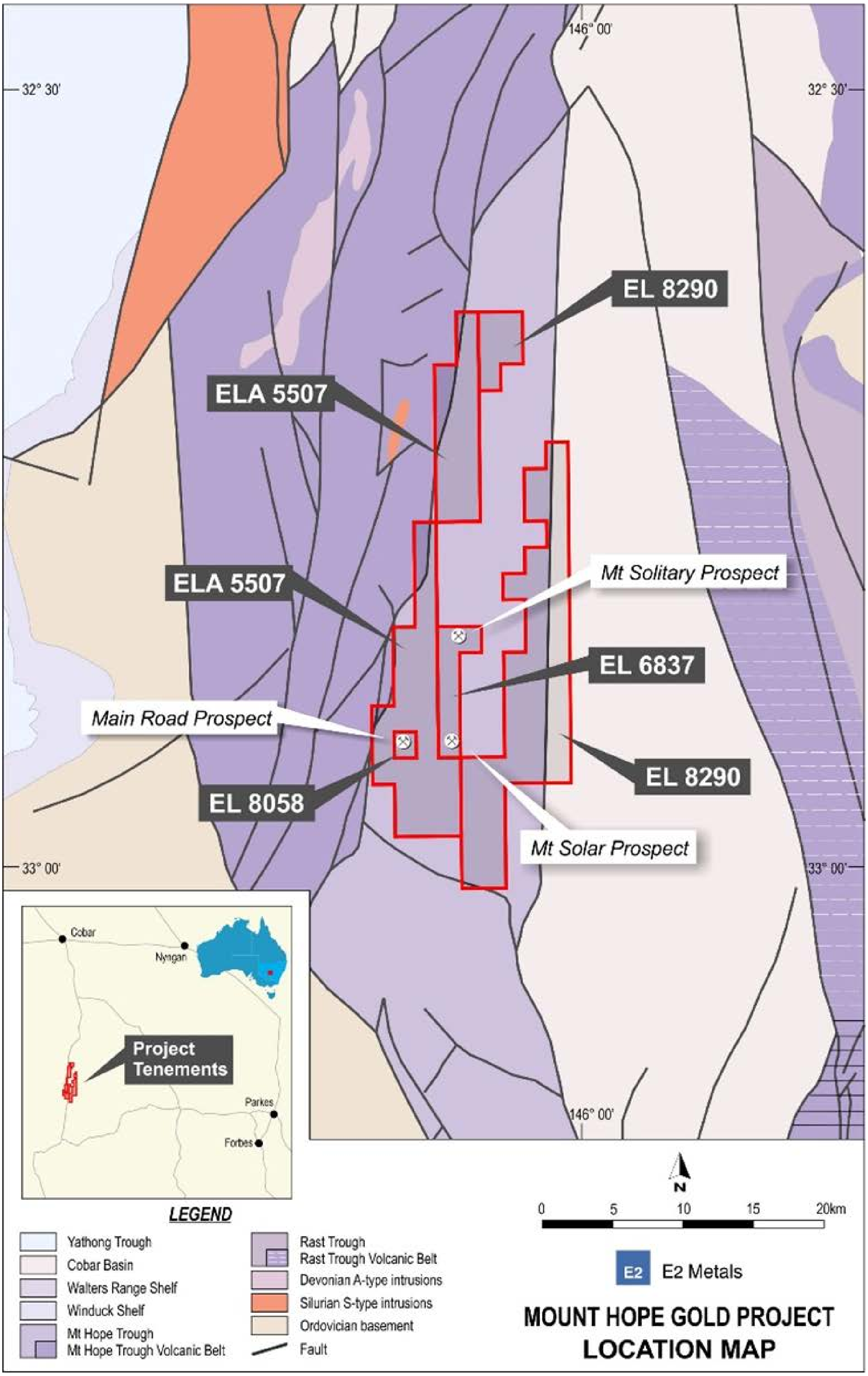
A regolith study was carried out to aid future exploration. Interpretation of regolith zones was done by stereoscopically viewing hardcopy, pseudo-aerial photographs under a mirror stereoscope, and annotating the zones onto clear overlays on the 'photos' - the process known as photogeological interpretation.

An application was submitted for ELA5507, situated to the west of Mount Solitary. ELA 5507 covers an area of Broken Range Group sediments east of the Great Central/Sugar Loaf Fault, which forms a major boundary between the Regina Volcanics and the Broken Range flysch sediments of the Mount Hope Trough. The area covers a series of interpreted subsidiary footwall structures marked by mapped intrusions of porphyry and rhyolitic volcanics within the Broken Range Group. The Sugar Loaf fault contains known copper and copper/gold mineralisation at the contact of intrusive acid volcanic units.

[1]**Competent Person Statements**

The information in this table that relates to Exploration Results is based on information compiled by Chris Spurway who is a Director, consultant and shareholder of the Company. Mr Spurway is a Fellow of Australasian Institute of Mining and Metallurgy. Mr Spurway has sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken, to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Spurway consents to the inclusion in this report of the matters based on information in the form and context in which it appears. Exploration results are based on standard industry practices, including sampling, assay methods, and appropriate quality assurance quality control (QAQC) measures.

Figure 1: E2 Metals Mount Hope Project – Cobar Basin, Site Location



Neavesville Project (New Zealand)

Work conducted at Neavesville during the 2017 financial year included:

- JORC 2012 compliant Mineral resource estimated;
- Stakeholder engagement undertaken with E2 meeting landowners and government agencies;
- Drill program planning well advanced with drill pads in place and a drill contractor selected;
- Drill access track clearance plan in place; and
- Drilling planned to commence Quarter 4, 2017 or earlier if weather allows.

Located in the North Island of New Zealand the Neavesville Project is an epithermal Au-Ag mineralized camp in the Hauraki Goldfield, New Zealand's major gold producing area and is surrounded by many significant present and past major producing epithermal goldmines.

The Neavesville Project (Figure 2) is a significantly advanced gold/silver project, with an established mineral resource. The Neavesville Project contains 3 principal target areas, Neavesville, Oneura & Chelmsford. At Neavesville, small amounts of gold and silver were produced from five sets of workings between 1875 and 1940 prospects within a 2km2 zone of alteration and mineralisation.

The Neavesville target area contains several prospects, with the two most advanced being the Trigs Bluff Deposit and the Ajax Prospect.

Trigs Bluff

The largest of the gold systems defined by drilling and surface geochemistry is centred on Trig Bluffs (Figure 7).

Currently defined within the Trig's Bluff Prospect at Neavesville, is a JORC 2012 compliant Inferred Mineral resource comprising 1,489,500 tonnes at a grade of 2.58 g/t Au (123,600 oz Au) and 9.69 g/t Ag (509,100 oz Ag) at a gold cut-off grade of 0.7 g/t Au. In addition to, and exclusive of, the Inferred Mineral Resource, an Exploration Target ranging from 2.5 - 4.2 million tonnes at 1.1 - 1.8 g/t Au (84,200 - 233,000 oz Au) and 3.8 - 6.4 g/t Ag (447,000 - 744,000 oz Ag) has been defined.

Two mineralised zones are recognised at Trigs Bluffs: a lower shale associated zone within and beneath silicified black shale adjacent to a diatreme intrusion, and an upper zone of electrum in quartz vein stockworks in rhyolite tuffs and silicified fluidised breccia.

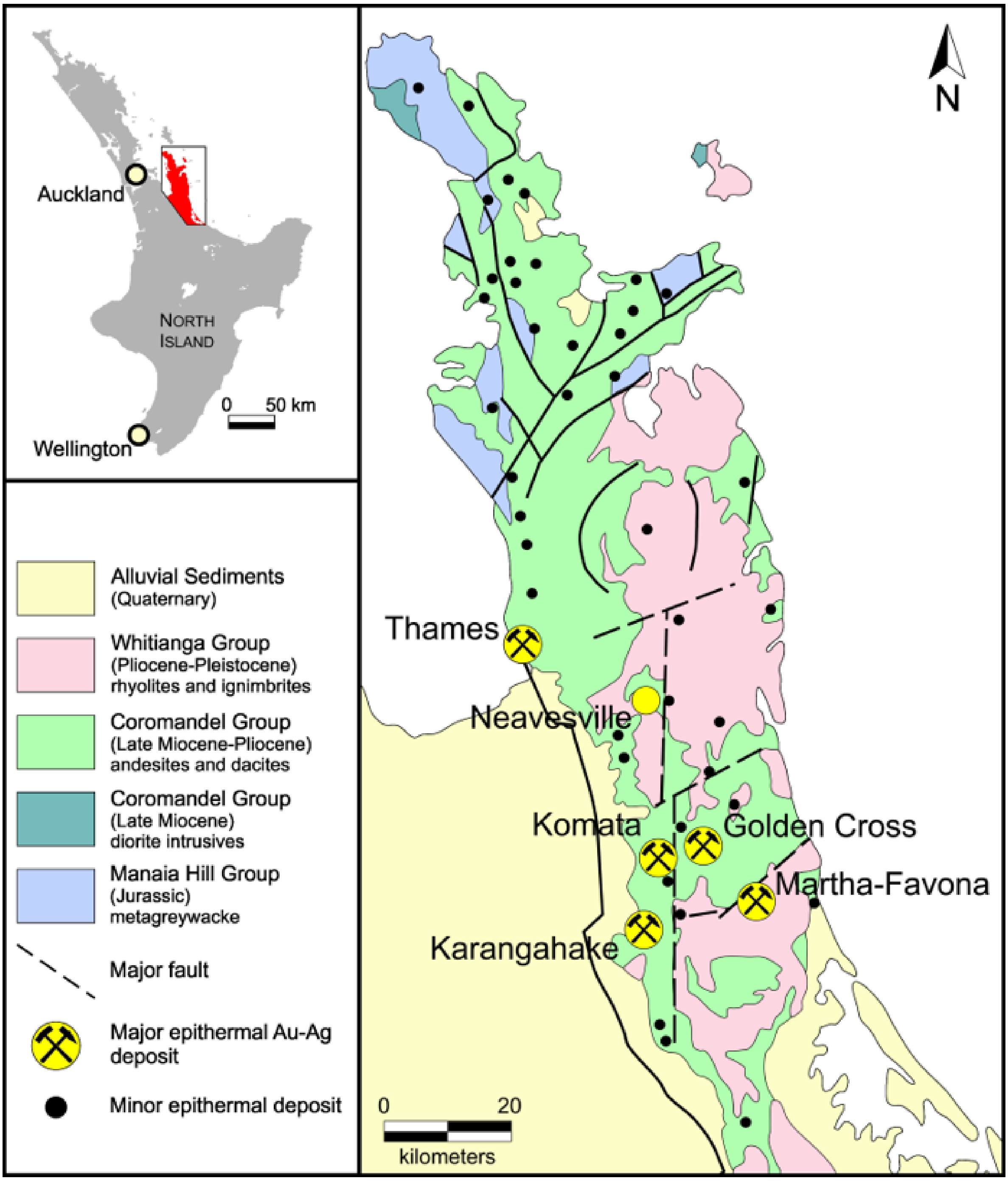
At Trigs Bluff, an inferred mineral resource based on review and modification of historic existing lithological and mineralization wireframes was estimated by Mr D Coventry, Member AusIMM, following industry standard procedures in accordance with JORC Code 2012.

Ajax Prospect

The Ajax vein, part of the "Golden Belt" mine was exploited from 1906 to 1920, producing 23,160oz of bullion from 11,666 tonnes of ore at a grade of 19.6g/t Au and 41g/t Ag mined over three 15m spaced levels, historical reports state the vein zone mined reached a maximum width of 5.1m. The first drilling proposed at Neavesville will be at the Ajax Prospect, designed to follow up rock chip samples along a 600-metre exposed strike length of epithermal veining.
Geophysical surveys carried out over the Ajax (and Chelmsford) areas confirm the exploration prospectivity of the targets as the results show that known mineralisation at Neavesville and Chelmsford epithermal centres occurs at the intersection of linear magnetic lows that trend NE (which are interpreted as possible faults or quartz filled fissures) and NW linear features.

The immediate objective of the consolidated entity is to update and improve the potential of the existing resource by targeting well defined feeder structures. The consolidated entity has prepared a fully permitted drill program, which was proposed to commence upon the Company's recent listing on the ASX. However due to severe wet weather from the Cyclone Debbie system and a more significant rain event associated with Cyclone Cook the Thames-Coromandel District was declared a state of emergency on 12 April 2017. This resulted on a postponement of works on the site due to the site being inaccessible.

Figure 2: Neavesville Project Area



The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of E2 Metals Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

The following persons were Directors of E2 Metals Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Simon Peters
Mr Chris Spurway
Ms Melanie Leydin (appointed 28 March 2017)
Mr Justin Klintberg (appointed 23 May 2017)
Mr Martin Donohue (resigned 28 March 2017)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of exploration and evaluation of mineral deposits in Australia and New Zealand.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Operating and financial review

The loss for the consolidated entity after providing for income tax amounted to $852,401 (30 June 2016: $53,662).

For information on the operating and financial performance and position of the consolidated entity refer to the review of operations on pages 3 to 8.

Significant changes in the state of affairs

During the financial year, the consolidated entity had the following significant changes in state of affairs:

During the period 31 August 2016 to 10 October 2016, the consolidated entity issued 3,862,500 fully paid ordinary shares, raising a total of $231,250 before costs. These shares were issued at prices between $0.05 and $0.10.

On 7 October 2016, and following shareholder approval sought at a general meeting of shareholders held on 3 October 2016, the consolidated entity completed a consolidation of share capital on a 2 for 1 basis.

On 4 April 2017, 30,337,000 shares were issued at an issue price of $0.20 (20 cents) per share raising $6,067,400 (before costs) as part of an initial public offering. The consolidated entity also issued 10,112,237 unlisted loyalty options with an exercise price of $0.20 (20 cent) per option on or before 4 April 2019. As at the date of this report, 2,235,816 options have been cancelled.

On 19 April 2017, the consolidated entity commenced trading on the Australian Securities Exchange.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The likely developments of the consolidated entity will be to exploit its current exploration areas of interest in the Cobar Basin of New South Wales along with its New Zealand Neavesville Project. The consolidated entity continues to seek suitable opportunities for acquisition or farm-in, while progressing the company's operations.

Environmental regulation

The consolidated entity holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. To the best of the Directors' knowledge, the consolidated entity has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' report.

Information on Directors

Name:	Mr Simon Peters
Title:	Managing Director
Qualifications:	BEng (Mining) (Hons)
Experience and expertise:	Mr Peters has over 15 years' experience as a mining executive. He has 12 years in management positions across 3 continents (Africa, Australia and Asia), covering all sections of the mining development process, including large scale and complex feasibility studies, stakeholder engagement, permits and approvals. Mr Peters has worked for both contractors and exploration/mining companies with a focus on open pit hard and soft rock mining industry. He has held Company Executive positions with areas of responsibility including exploration, permitting, project feasibility and development in gold and industrial minerals sectors. Formerly, Mr Peters was project Executive for an ASX listed entity Astron Ltd and a Director of 3 subsidiaries including a joint venture subsidiary involved in funding and commissioning an African mineral sands operation. He has gained experience in production of industrial minerals, iron ore and gold and has held senior operational positions within Rio Tinto and Henry Walker Eltin. He holds a Bachelor of Engineering (Mining) with Honours from Federation University Australia and an unrestricted WA quarry manager's certificate. Mr Peters now provides strategic & technical management consultancy advice to government, mining and agricultural sectors.
Other current directorships:	Non-Executive Director of Green Power Energy (ASX: GPP) (6 December 2016 to present)
Former directorships (last 3 years):	None
Interests in shares:	300,000 fully paid ordinary shares
Interests in options:	33,333 unlisted loyalty options
Interests in rights:	2,250,000 performance rights, expiring on 19 April 2020.

Name:	Ms Melanie Leydin
Title:	Chairperson (appointed 28 March 2017)
Qualifications:	B.Bus, CA
Experience and expertise:	Ms Leydin is a Chartered Accountant and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer. In the course of her practice she audits listed and unlisted public companies involved in the resources industry. Her practice also involves outsourced Company secretarial and accounting services to public companies in the resources sector. This involves preparation of statutory financial statements, annual reports, half year reports, stock exchange announcements and quarterly ASX reporting and other statutory requirements. Ms Leydin has 25 years' experience in the accounting profession and is a Director and Company secretary for a number of oil and gas, junior mining and exploration entities listed on the Australian Securities Exchange.
Other current directorships:	None
Former directorships (last 3 years):	3D Oil (ASX: TDO) (resigned 14 October 2016)
Interests in shares:	816,800 fully paid ordinary shares

Name:	Mr Chris Spurway
Title:	Technical Director
Qualifications:	B.Sc. (Hons), FAusIMM, FSEG, MAIG, GSA
Experience and expertise:	Mr Spurway has 25 years of geological experience in the minerals industry covering exploration management, resource definition, mining geology and business development. He has worked across a spectrum of resource companies from large international organizations such as AngloGold Ashanti and CRA Exploration, mid-tier producers including Troy Resources and Serabi Gold and smaller exploration juniors including Emmerson Resources and TriAusMin. Mr Spurway has held senior management roles since 2004, including Exploration Manager for Serabi Gold and Troy Resources, both in Brazil and TriAusMin and Eurasian Minerals Inc, in Australia. Currently a Principal at Spurway Geological Services Pty Ltd, a consultancy created to service a number of existing clients requiring experienced exploration and data management. Mr Spurway has a demonstrated track record of mineral exploration, discovery and development in Australia, South America, and Canada as well as corporate and strategic management in junior listed companies. He holds a B.Sc. (Hons) in Geology from the University of Sydney and a Graduate Certificate in Management from the University of New England. He is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM) and a Fellow of Society of Economic Geologists (FSEG), member of Australian Institute of Geoscientists (MAIG), and the Geological Society of Australia (GSA).
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	100,000 fully paid ordinary shares

Name:	Mr Justin Klintberg
Title:	Non-Executive Director (appointed 23 May 2017)
Qualifications:	B.Bus (Accounting and Finance), Grad Dip (Finance and Investment)
Experience and expertise:	Mr Klintberg joins the Board of E2M following over 20 years' experience in public and private market investing. Mr Klintberg has extensive experience working in the investment and capital markets industry. Mr Klintberg is currently Chief Executive Officer of Corporate Advisory firm Merchant Corporate Advisory Limited based in Hong Kong. Mr Klintberg was the founder and Chief Investment Officer of Kima Capital Management Pty Ltd, a Pan Asian Hedge Fund from 2009 to 2016 and prior to that a Senior Portfolio Manager with Marble Bar Asset Management from 2001 to 2008.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	800,000 fully paid ordinary shares
Interests in options:	1,200,000 unlisted options

Name:	Mr Martin Donohue
Title:	Non-Executive Director (resigned 28 March 2017)
Experience and expertise:	Mr Donohue has had over 15 years' experience in equity capital markets and the natural resources sector where he has been directly involved in evaluating mineral projects at various stages of development and raising capital. Mr Donohue is a Director of several private and public companies focused on base and precious metals with projects in Australia and Sub Saharan Africa. He is also the principal of Penstock Advisory, a private consulting and investment Company based in Melbourne that specialises in identifying, managing and developing mineral projects in Australia and overseas. Mr Donohue is currently the managing Director of the ASX listed Kidman Resources Limited (ASX: KDR).

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries

Justin Mouchacca holds a Bachelor of Business majoring in Accounting. He graduated from RMIT University in 2008, became a Chartered Accountant in 2011 and since July 2013 has been the principal of chartered accounting firm, Leydin Freyer Corp Pty Ltd. The practice provides outsourced Company secretarial and accounting services to public and private companies specialising in the resources, technology, bioscience and biotechnology sectors. Justin has over 9 years' experience in the accounting profession and has extensive experience in relation to public Company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of CAANZ and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer. The practice provides outsourced Company secretarial and accounting services to public and private companies specialising in the resources, technology, bioscience and biotechnology sector. Melanie has over 25 years' experience in the accounting profession and has extensive experience in relation to public Company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of companies and shareholder relations.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2017, and the number of meetings attended by each Director were:

	Full Board	
	Attended	Held
Simon Peters	8	8
Chris Spurway	7	8
Martin Donohue	4	4
Melanie Leydin	4	4
Justin Klintberg	2	2

Held: represents the number of meetings held during the time the Director held office.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's Executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns Executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that Executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of Executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its Directors and Executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an Executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align Executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the Executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director remuneration is separate.

Non-Executive Directors remuneration
Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually. The Board may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive directors' fees and payments are appropriate and in line with the market. The chairperson's fees are determined independently to the fees of other Non-Executive directors based on comparative roles in the external market. The chairperson is not present at any discussions relating to the determination of her own remuneration.

The maximum annual remuneration of Non-Executive Directors will be approved by shareholders at the consolidated entity's next Annual General Meeting on 8 November 2017.

Executive remuneration
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The Executive remuneration and reward framework has the following components:
- base pay and non-monetary benefits
- long-term performance incentives; and
- other remuneration such as superannuation and long service leave

The combination of these comprises the Executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the Executive.

Incentives are payable to Executives based upon the attainment of agreed corporate and individual milestones and are reviewed and approved by the Board of Directors. In 2017 no cash incentives were paid (2016: nil).

Executives are issued with equity instruments as LTIs (long term incentives) in a manner that aligns this element of remuneration with the creation of shareholder wealth. LTI grants are made to Executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the creation of shareholder wealth. During the 2017 financial year, Mr Simon Peters was issued 2,250,000 performance rights which vest on the condition Mr Peters achieves specified performance objectives. There were no incentives issued in the 2016 financial year.

Consolidated entity performance and link to remuneration
Remuneration for certain individuals is directly linked to the exploration findings of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board.

Use of remuneration consultants
During the financial year ended 30 June 2017, the consolidated entity did not engage any remuneration consultants.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following Directors of E2 Metals Limited:
- Mr Simon Peters (Managing Director)
- Mr Chris Spurway (Technical Director)
- Ms Melanie Leydin (Chairperson - appointed 28 March 2017)
- Mr Justin Klintberg (Non-Executive Director - appointed 23 May 2017)
- Mr Martin Donohue (Non-Executive Director - resigned 28 March 2017)
- Mr Justin Mouchacca (Company Secretary)

Key management personnel are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and Group.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2017	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Chris Spurway	54,000	-	-	-	-	-	54,000
Melanie Leydin*	15,000	-	-	-	-	-	15,000
Martin Donohue**	15,000	-	-	-	-	-	15,000
Justin Klintberg***	4,319	-	-	-	-	-	4,319
Executive Directors:							
Simon Peters****	110,000	-	-	8,550	-	28,672	147,222
Other Key Management Personnel:							
Justin Mouchacca*****	104,500	-	-	-	-	-	104,500
	302,819	-	-	8,550	-	28,672	340,041

* Ms Leydin was appointed 28 March 2017.
** Mr Donohue resigned 28 March 2017.
*** Mr Klintberg was appointed on 23 May 2017. Merchant Corporate Advisory, a Company associated with Mr Klintberg also received $145,320 in equity settled options in consideration for advisory services in connection with the consolidated entity's IPO and listing on the ASX.
**** Mr Peters' equity-settled remuneration figure also includes a value of $5,762 for performance rights that were granted and cancelled. Mr Peters was then granted 2,250,000 performance rights, with an expense of $22,911 recognised during the financial year. Mr Peters also received an amount of $20,000 for consulting services provided to the firm prior to listing.
*****Fees paid to Leydin Freyer Corp Pty Ltd in respect of Company secretarial and accounting services. An additional amount of $14,500 was paid in relation to services in connection with the consolidated entity's IPO and listing on the ASX.

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	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2016	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Martin Donohue*	-	-	-	-	-	-	-
Chris Spurway**	-	-	-	-	-	-	-
Gregory Seers***	-	-	-	-	-	-	-
Melanie Leydin****	-	-	-	-	-	-	-
Executive Directors:							
Simon Peters*****	-	-	-	-	-	-	-
							-
Other Key Management Personnel:							
Justin Mouchacca	3,549	-	-	-	-	-	3,549
	3,549	-	-	-	-	-	3,549

* Mr Spurway was appointed 27 June 2016.
** Mr Seers resigned 23 June 2016.
*** Ms Leydin resigned 25 June 2016.
**** Mr Peters was appointed 27 June 2016.

During the 2016 financial year, there were no wages paid to Directors as it was agreed Directors would forgo their wages until the Company achieved listing on the ASX.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2017	2016	2017	2016	2017	2016
Non-Executive Directors:						
Chris Spurway	100%	-	-	-	-	-
Melanie Leydin	100%	-	-	-	-	-
Martin Donohue	100%	-	-	-	-	-
Justin Klintberg	100%	-	-	-	-	-
Executive Directors:						
Simon Peters	81%	-	-	-	19%	-
Other Key Management Personnel:						
Justin Mouchacca	100%	100%	-	-	-	-

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Simon Peters
Title:	Managing Director
Agreement commenced:	8 June 2016
Term of agreement:	Three months' notice in writing.
Details:	Annual salary of $180,000 plus superannuation of 9.5% upon the consolidated entity's listing with the ASX. Upon listing, Mr Peters was also backpaid for three months of salary.

Name:	Chris Spurway
Title:	Technical Director
Agreement commenced:	1 July 2017
Term of agreement:	No fixed term.
Details:	Annual salary of $40,000 upon the consolidated entity's listing with the ASX. Upon listing, Mr Spurway was also backpaid for three months of salary.

Name:	Melanie Leydin (appointed 28 March 2017)
Title:	Chairperson
Agreement commenced:	28 March 2017
Term of agreement:	No fixed term.
Details:	Annual salary is $60,000.

Name:	Justin Klintberg (appointed 23 May 2017)
Title:	Non-Executive Director
Agreement commenced:	23 May 2017
Term of agreement:	No fixed term.
Details:	Annual salary is $40,000.

Name:	Justin Mouchacca
Title:	Company Secretary
Agreement commenced:	9 November 2006
Term of agreement:	No fixed term.
Details:	Annual fee for Company secretarial and accounting services amounting to $90,000.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Options
There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2017.

Performance rights
In June 2016, the consolidated entity agreed to issue 1,500,000 performance rights to Mr Simon Peters with various vesting conditions relating to share price hurdles and vesting dates. In April 2017 the consolidated entity cancelled the previous arrangement and agreed to issue 2,250,000 performance rights which were subject to performance hurdles relating to the consolidated entity achieving JORC resource targets.

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Exercisable date	Expiry date	Exercise price	Value per right at grant date
19 April 2017	19 April 2017	19 April 2020	$0.00	$0.155
19 April 2017	19 April 2017	19 April 2020	$0.00	$0.155
19 April 2017	19 April 2017	19 April 2020	$0.00	$0.155

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Number of rights granted during the year 2017	Number of rights granted during the year 2016	Number of rights vested during the year 2017	Number of rights vested during the year 2016
Simon Peters*	2,250,000	1,500,000	-	-

* The performance rights issued to Mr Peters in the 2016 financial year were cancelled in the 2017 financial year.

Details of performance rights over ordinary shares granted, vested and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Grant date	Vesting date	Number of rights granted	Value of rights granted $	Value of rights vested $	Number of rights cancelled $	Value of rights cancelled $
Simon Peters	8 June 2016		-	-	-	500,000	810
Simon Peters	8 June 2016		-	-	-	1,000,000	4,951
Simon Peters	19 April 2017		750,000	116,250	-	-	-
Simon Peters	19 April 2017		750,000	116,250	-	-	-
Simon Peters	19 April 2017		750,000	116,250	-	-	-

On 19 April 2017, the Company issued 2,250,000 performance rights to the Managing Director, Mr Simon Peters. The vesting of the performance rights was to take place in three tranches, which were conditional upon Mr Peters achieving specified performance objectives documented in the Company's release to the ASX dated 19 April 2017. A summary of which is as follows:

- Class A vests when the Company has demonstrated a JORC reported inferred (or greater) mineral resource of at least 35,000,000 tonnes at a grade of at least 0.79/t Au or within the Neavesville project area in New Zealand, which will expire 3 years from the ASX listing date;
- Class B vests when the Company has demonstrated a JORC reported inferred (or greater) mineral resource of at least 58,000,000 tonnes at a grade of at least 0.79/t Au or within the Neavesville project area in New Zealand, which will expire 3 years from the ASX listing date; and
- Class C vests when the Company has demonstrated a JORC reported inferred (or greater) mineral resource of at least 88,000,000 tonnes at a grade of at least 0.79/t Au or within the Neavesville project area in New Zealand, which will expire 3 years from the ASX listing date.

At the date of this report, 2,250,000 performance rights have not yet vested.

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the consolidated entity held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Simon Peters*	200,000	-	100,000	-	300,000
Chris Spurway**	-	-	100,000	-	100,000
Melanie Leydin	816,800	-	-	-	816,800
Justin Klintberg***	-	-	800,000	-	800,000
Martin Donohue****	2,865,001	-	-	(2,865,001)	-
	3,881,801	-	1,000,000	(2,865,001)	2,016,800

* Shares were purchased through initial public offering and were not received as part of remuneration.
** Shares were purchased as on market acquisition and were not received as part of remuneration.
*** Shares were issued as part of seed raising and on market acquisition and were not received as part of remuneration.
**** Mr Donohue resigned on 28 March 2017.

Option holding
Mr Peters holds 33,333 unlisted loyalty options which were granted on 19 April 2017 with an exercise price of $0.20 (20 cents) and an expiry date of 19 April 2019. These loyalty options were free attaching options when subscribing to the initial public offering on a 1 for 3 basis.

Other transactions with key management personnel and their related parties
Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Consolidated 2017 $	**Consolidated 2016 $**
Sale of goods and services:		
Payments to Merchant Corporate Advisory, an associated entity of Mr Justin Klintberg*	358,000	-
Payments to Leydin Freyer Corp Pty Ltd, an associated entity of Ms Melanie Leydin and Mr Justin Mouchacca**	104,500	3,549
Other transactions:		
Issue of advisor options to Mr Justin Klintberg***	145,320	-
Loan repayments to Penstock Advisory Pty Ltd an associated entity of Mr Martin Donohue****	141,050	-
Loan repayments to Mr Martin Donohue*****	10,000	-

* The amounts paid to Merchant Corporate Advisory relate to equity raising and listing fees associated with the consolidated entity's listing on the ASX in April 2017.
** The amounts paid to Leydin Freyer Corp Pty Ltd relate to company secretarial and CFO services provided to the consolidated entity during the financial year.
*** Mr Justin Klintberg was issued advisor options upon his purchase of shares through the IPO.
**** The amounts paid to Penstock Advisory Pty Ltd were in relation to a loan of $130,000 repayable with 8.5% interest. The consolidated entity borrowed the funds in September 2016 and repaid the loan and interest in April 2017.
***** The amounts paid to Mr Martin Donohue are in relation to an interest free loan to the consolidated entity. The consolidated entity borrowed $10,000 in August 2016 and repaid the loan in June 2017.

This concludes the remuneration report, which has been audited.

E2 Metals

Shares under option
Unissued ordinary shares of E2 Metals Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
19 April 2017	19 April 2020	$0.25	1,500,000
4 April 2017	19 April 2019	$0.20	7,876,421
			9,376,421

* On 19 April 2017, the Company issued 1,500,000 advisor options convertible into 1,500,000 fully paid ordinary shares exercisable at $0.25, expiring on 19 April 2020. As at the date of this report, 1,500,000 of these options are classified by ASX as restricted securities to be held in escrow for a period of 24 months from the date of official quotation.

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

Shares issued on the exercise of options
There were no ordinary shares of E2 Metals Limited issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

Officers of the Company who are former partners of William Buck Audit (Vic) Pty Ltd
There are no officers of the Company who are former partners of William Buck Audit (Vic) Pty Ltd.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Auditor
William Buck Audit (Vic) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Simon Peters
Managing Director

28 September 2017

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF E2 METALS LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2017 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

J. C. Luckins
Director
Dated this 28 day of September, 2017

CHARTERED ACCOUNTANTS & ADVISORS

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	Note	Consolidated 2017 $	2016 $
Revenue		10	6,769
Expenses			
Administrative expenses		(46,875)	(6,214)
Corporate expenses		(609,962)	(54,217)
Employment expenses		(185,774)	-
Impairment expense		(9,800)	-
Loss before income tax expense		(852,401)	(53,662)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the owners of E2 Metals Limited		(852,401)	(53,662)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(453)	23,644
Other comprehensive income/(loss) for the year, net of tax		(453)	23,644
Total comprehensive loss for the year attributable to the owners of E2 Metals Limited		(852,854)	(30,018)
		Cents	**Cents**
Basic earnings per share	26	(1.89)	(0.10)
Diluted earnings per share	26	(1.89)	(0.10)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

E2 Metals

	Note	Consolidated 2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	6	4,608,339	38,776
Trade and other receivables	7	106,178	17,941
Other current assets	8	26,632	6,265
Total current assets		4,741,149	62,982
Non-current assets			
Exploration and evaluation	9	1,456,914	761,061
Other non-current assets	10	30,000	20,000
Total non-current assets		1,486,914	781,061
Total assets		6,228,063	844,043
Liabilities			
Current liabilities			
Trade and other payables	11	228,735	135,305
Employee benefits		3,790	-
Total current liabilities		232,525	135,305
Non-current liabilities			
Employee benefits		171	-
Total non-current liabilities		171	-
Total liabilities		232,696	135,305
Net assets		5,995,367	708,738
Equity			
Issued capital	12	8,381,747	2,452,586
Reserves	13	240,362	30,493
Accumulated losses		(2,626,742)	(1,774,341)
Total equity		5,995,367	708,738

The above statement of financial position should be read in conjunction with the accompanying notes

E2 Metals Limited
Statement of changes in equity
For the year ended 30 June 2017

E2 Metals

Consolidated	Issued capital $	Foreign currency translation reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2015	2,122,586	6,849	(1,720,679)	408,756
Loss after income tax expense for the year	-	-	(53,662)	(53,662)
Other comprehensive income for the year, net of tax	-	23,644	-	23,644
Total comprehensive income/(loss) for the year	-	23,644	(53,662)	(30,018)
Issue of shares	330,000	-	-	330,000
Balance at 30 June 2016	2,452,586	30,493	(1,774,341)	708,738

Consolidated	Issued capital $	Share based payment reserve $	Foreign currency translation reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2016	2,452,586	-	30,493	(1,774,341)	708,738
Loss after income tax expense for the year	-	-	-	(852,401)	(852,401)
Other comprehensive loss for the year, net of tax	-	-	(453)	-	(453)
Total comprehensive loss for the year	-	-	(453)	(852,401)	(852,854)
Issue of shares	6,298,650	-	-	-	6,298,650
Cost of share issue	(369,489)	-	-	-	(369,489)
Issue of performance rights	-	28,672	-	-	28,672
Issue of advisor options	-	181,650	-	-	181,650
Balance at 30 June 2017	8,381,747	210,322	30,040	(2,626,742)	5,995,367

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Note	Consolidated 2017 $	2016 $
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(866,160)	(191,975)
Interest received		10	809
Interest and other finance costs paid		(13,279)	-
Net cash used in operating activities	25	(879,429)	(191,166)
Cash flows from investing activities			
Payments for exploration and evaluation		(560,906)	(35,452)
Payments for security deposits		(10,000)	-
Net cash used in investing activities		(570,906)	(35,452)
Cash flows from financing activities			
Proceeds from issue of shares		6,297,400	250,000
Equity raising costs		(278,090)	-
Net cash from financing activities		6,019,310	250,000
Net increase in cash and cash equivalents		4,568,975	23,382
Cash and cash equivalents at the beginning of the financial year		38,776	15,394
Effects of exchange rate changes on cash and cash equivalents		588	-
Cash and cash equivalents at the end of the financial year	6	4,608,339	38,776

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover E2 Metals Limited as a consolidated entity consisting of E2 Metals Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is E2 Metals Limited's functional and presentation currency.

E2 Metals Limited is a listed public Company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 September 2017. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about the transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 2. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of E2 Metals Limited ('Company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. E2 Metals Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is E2 Metals Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the assets is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of deferred tax assets can be utilised.

When temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set off exists, the deferred assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.
When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward cost in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the cost of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Note 2. Significant accounting policies (continued)

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity. The consolidated entity will adopt this standard from 1 July 2019 and a detailed assessment of the impact of this standard is yet to be completed. A preliminary assessment of the standard has been undertaken by the consolidated entity and it is not anticipated that it will materially impact the measurement of transactions and balances.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2019 and a detailed assessment of the impact of this standard is yet to be completed. A preliminary assessment of this standard has been undertaken by the consolidated entity and it is not anticipated that it will materially impact the measurement of transactions and balances.

Note 2. Significant accounting policies (continued)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. A preliminary assessment of this standard has been undertaken by the consolidated entity and it is not anticipated that it will materially impact the measurement of transactions and balances.

Note 3. Critical accounting judgements, estimates and assumptions

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Share based payment transactions
The consolidated entity 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 by using either the Binomial model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Employee benefits provision
The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Exploration and evaluation costs
Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 4. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into two operating segments: Australia projects and New Zealand projects. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews financial management accounts on a monthly basis. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The reportable segments are:

New Zealand
Australia

Intersegment transactions
There were no material intersegment transactions during the reporting period.

Intersegment receivables, payables and loans
There were no material intersegment receivables, payables and loans during the reporting period.

Major customers
The consolidated entity does not have any customers.

Operating segment information

Consolidated - 2017	New Zealand $	Australia $	Unallocated $	Total $
Revenue	-	-	10	10
Impairment of assets	-	(9,800)	-	(9,800)
Administrative expenses	-	-	(46,875)	(46,875)
Corporate expenses	-	-	(609,962)	(609,962)
Employment expenses	-	-	(185,774)	(185,774)
Loss before income tax expense	-	(9,800)	(842,601)	(852,401)
Income tax expense				-
Loss after income tax expense				(852,401)
Assets				
Exploration Expenditure	650,620	806,294	-	1,456,914
Unallocated assets:				
Cash and cash equivalents				4,608,339
Trade and other receivables				106,178
Prepayments				26,632
Security Deposits				30,000
Total assets				6,228,063
Liabilities				
Unallocated liabilities:				
Trade and other payables				228,735
Employee Benefits				3,961
Total liabilities				232,696

Note 4. Operating segments (continued)

Consolidated - 2016	New Zealand $	Australia $	Unallocated $	Total $
Revenue	-	-	6,769	6,769
Administrative expenses	-	-	(6,214)	(6,214)
Corporate expenses	-	-	(54,217)	(54,217)
Loss before income tax expense	-	-	(53,662)	(53,662)
Income tax expense				-
Loss after income tax expense				(53,662)
Assets				
Segment assets	425,933	335,128	-	761,061
Unallocated assets:				
Cash and cash equivalents				38,776
Trade and other receivables				17,941
Other				26,265
Total assets				844,043
Liabilities				
Unallocated liabilities:				
Trade and other payables				122,581
Other				12,724
Total liabilities				135,305

Note 5. Income tax

	Consolidated 2017 $	Consolidated 2016 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(852,401)	(53,662)
Tax at the statutory tax rate of 27.5% (2016: 30%)	(234,411)	(16,099)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share based payments	7,885	-
Non-deductible expenses	1,375	-
Shares and options issued in consideration for services	25,162	-
	(199,989)	(16,099)
Current year tax losses not recognised	358,701	18,736
Current year temporary differences not recognised	(158,712)	(2,637)
Income tax expense	-	-

	Consolidated 2017 $	Consolidated 2016 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	3,039,988	1,735,622
Potential tax benefit @ 27.5% (2016: 30%)	835,997	520,687

Note 5. Income tax (continued)

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

There was no income tax expense or other tax balances created for the year ended 30 June 2017 and 30 June 2016 due to the losses from operations.

At 30 June 2017, the consolidated entity reviewed the quantum of its unrecognised carry forward tax losses. As at that date there are unrecognised carry forward tax losses of $3,039,988 (2016: $1,735,622) potentially available to offset against future years' taxable Income.

The balance of the deferred tax asset arising from current year tax losses and timing differences has not been recognised as an asset because recovery is not virtually certain.

The deferred tax asset, which has not been recognised as an asset, will only be obtained if:

(i) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii) the Company continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the Company realising the benefit.

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

E2 Metals Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Note 5. Income tax (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	2017 $	2016 $
Cash at bank	4,608,339	38,776

Accounting policy for cash and cash equivalents
Cash and cash equivalents include cash on hand and deposits held at call with banks.

Note 7. Current assets - trade and other receivables

	Consolidated	
	2017 $	2016 $
GST receivable and other receivables	106,178	17,941

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 8. Current assets - other current assets

	Consolidated	
	2017 $	2016 $
Prepayments	26,632	6,265

Note 9. Non-current assets - exploration and evaluation

	Consolidated 2017 $	Consolidated 2016 $
Exploration and evaluation	1,456,914	761,061

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Exploration Expenditure $	Total $
Balance at 1 July 2015	621,853	621,853
Expenditure during the year	139,208	139,208
Balance at 30 June 2016	761,061	761,061
Expenditure during the year	710,202	710,202
Exchange differences	(4,549)	(4,549)
Impairment of assets	(9,800)	(9,800)
Balance at 30 June 2017	1,456,914	1,456,914

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest. The tenements included in the carrying amounts above are the Neavesville project and the Mt Hope group of tenements (refer to review of operations at the beginning of this financial report for further information).

The impairment during the 2017 financial year relates to the impairment of project tenements with no further works scheduled.

Accounting policy for exploration and evaluation assets
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Note 10. Non-current assets - other non-current assets

	Consolidated 2017 $	Consolidated 2016 $
Security deposits	30,000	20,000

Note 11. Current liabilities - trade and other payables

	Consolidated 2017 $	2016 $
Trade payables	122,577	123,313
Accrued expenses	86,587	6,000
Other payables	19,571	5,992
	228,735	135,305

Refer to note 15 for further information on financial instruments.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 12. Equity - issued capital

	Consolidated 2017 Shares	2016 Shares	2017 $	2016 $
Ordinary shares - fully paid	60,707,938	56,114,939	8,381,747	2,452,586

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2015	50,564,939		2,122,586
Share placement to sophisticated investors	2 July 2015	1,000,000	$0.10	100,000
Issue of shares in settlement of debt	3 December 2015	800,000	$0.10	80,000
Share placement to sophisticated investors	18 December 2015	3,750,000	$0.04	150,000
Balance	30 June 2016	56,114,939		2,452,586
Share placement to sophisticated investors	31 August 2016	1,400,000	$0.05	70,000
Share placement to sophisticated investors	6 October 2016	1,700,000	$0.05	85,000
Share Consolidation 2:1	13 October 2016	(29,606,501)	$0.00	-
Share placement to sophisticated investors	14 October 2016	250,000	$0.10	25,000
Share placement to sophisticated investors	16 December 2016	512,500	$0.10	51,250
Share placement as part of the IPO and listing on the ASX	4 April 2017	30,337,000	$0.20	6,067,400
Capital raising costs		-	-	(369,489)
Balance	30 June 2017	60,707,938		8,381,747

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the consolidated entity in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Note 12. Equity - issued capital (continued)

Capital risk management
The consolidated entity manages its capital to ensure that entities in the group will be able to continue as a going concern maximising and optimising the return to stakeholders through optimisation of the debt and equity balance.

The capital structure of the consolidated entity consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 12 and 13, respectively.

Operating cash flows are used to maintain and expand the consolidated entity's assets.

The consolidated entity would look to raise capital when an opportunity to invest in a business or Company was seen as value adding relative to the current Company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues its activity in mineral exploration.

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

Accounting policy for 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.

Note 13. Equity - reserves

	Consolidated	
	2017 $	2016 $
Foreign currency reserve	30,040	30,493
Share based payment reserve	210,322	-
	240,362	30,493

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations of Hauraki Gold and EMX New Zealand (BVI) to Australian dollars.

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Share based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Note 13. Equity - reserves (continued)

Accounting policy for share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees and advisors.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share based payment reserve $	Foreign currency translation reserve $	Total $
Balance at 1 July 2015	-	6,849	6,849
Foreign currency translation	-	23,644	23,644
Balance at 30 June 2016	-	30,493	30,493
Foreign currency translation	-	(453)	(453)
Issue of performance rights	28,672	-	28,672
Issue of advisor options	181,650	-	181,650
Balance at 30 June 2017	210,322	30,040	240,362

Note 14. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 15. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange and ageing analysis for credit risk analysis in respect of investment portfolios to determine market risk.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. This risk is not considered material.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2017	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	122,577	-	-	-	122,577
Other payables	-	86,587	-	-	-	86,587
Other loans	8.97%	19,571	-	-	-	19,571
Total non-derivatives		228,735	-	-	-	228,735

Consolidated - 2016	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	123,313	-	-	-	123,313
Other payables	-	6,000	-	-	-	6,000
Other loans	11.36%	5,992	-	-	-	5,992
Total non-derivatives		135,305	-	-	-	135,305

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

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Note 15. Financial instruments (continued)

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Recognition and measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instruments. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment
At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Trade and other receivables are initially recognised at fair value less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Note 16. Key management personnel disclosures

Directors
The following persons were Directors of E2 Metals Limited during the financial year:

Mr Simon Peters (Managing Director)
Mr Chris Spurway (Technical Director)
Ms Melanie Leydin (Chairperson)
Mr Justin Klintberg (Non-Executive Director)
Mr Martin Donohue (Non-Executive Director) (resigned 28 March 2017)

Other key management personnel
The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr Justin Mouchacca (Company Secretary)

Note 16. Key management personnel disclosures (continued)

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2017 $	Consolidated 2016 $
Short-term employee benefits	302,819	3,549
Post-employment benefits	8,550	-
Share-based payments	28,672	-
	340,041	3,549

Note 17. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Audit (Vic) Pty Ltd, the auditor of the Company:

	Consolidated 2017 $	Consolidated 2016 $
Audit services - William Buck Audit (Vic) Pty Ltd		
Audit or review of the financial statements	23,000	6,000

Note 18. Contingent liabilities

The consolidated entity acquired its interest in the Neavesville Project through a Share Sale Agreement dated 17 September 2014 (Effective Date), between the Company's wholly owned subsidiary Land and Mineral Limited (L&M), Eurasian Holdings (BVI) Inc and Eurasian Minerals Inc. (EMX) as amended by a Deed of Amendment to the Share Sale Agreement made in December 2015 between Eurasian, L&M and EMX (HGL Acquisition Agreement).

Under the HGL Acquisition, L&M purchased all of the issued share capital of EMX New Zealand (BVI) Inc. (EMX-NZ) which is the parent entity of Hauraki Gold Limited (HGL) with effect from 17 September 2014 (Effective Date). HGL is the registered holder of New Zealand Exploration Permit number 51767 (Permit) for the Neavesville Project.

In accordance with the Share Sale Agreement, the consolidated has contingent payments subject to meeting relevant milestones.

Note 19. Commitments

	Consolidated 2017 $	Consolidated 2016 $
Exploration Expenditure Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	205,000	1,340,000
One to five years	170,000	739,500
	375,000	2,079,500

Note 19. Commitments (continued)

Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration, the consolidated entity is required to outlay rentals and to meet the minimum expenditure requirements of the State Mines Departments. Minimum expenditure commitments may be subject to renegotiation and may otherwise be avoided by sale, farm out or relinquishment.

Included in exploration commitments payable between one to five years is the Neavesville project based in New Zealand and the Mount Hope project in New South Wales. This expenditure is estimated as the commitments as per the agreement are based on milestones of drilling and other work programs been completed.

Note 20. Related party transactions

Parent entity
E2 Metals Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 22.

Key management personnel
Disclosures relating to key management personnel are set out in note 16 and the remuneration report included in the Directors' report.

Transactions with related parties
The following transactions occurred with related parties (amounts are exclusive of GST):

	Consolidated	
	2017 $	2016 $
Sale of goods and services:		
Payments to Merchant Corporate Advisory, an associated entity of Mr Justin Klintberg*	358,000	-
Payments to Leydin Freyer Corp Pty Ltd, an associated entity of Ms Melanie Leydin and Mr Justin Mouchacca**	104,500	3,549
Other transactions:		
Issue of advisor options to Mr Justin Klintberg***	145,320	-
Loan repayments to Penstock Advisory Pty Ltd an associated entity of Mr Martin Donohue****	141,050	-
Loan repayments to Mr Martin Donohue*****	10,000	-

* The amounts paid to Merchant Corporate Advisory relate to equity raising and listing fees associated with the consolidated entity's listing on the ASX in April 2017.
** The amounts paid to Leydin Freyer Corp Pty Ltd relate to company secretarial and CFO services provided to the consolidated entity during the financial year.
*** Mr Justin Klintberg was issued advisor options upon his purchase of shares through the IPO.
**** The amounts paid to Penstock Advisory Pty Ltd were in relation to a loan of $130,000 repayable with 8.5% interest. The consolidated entity borrowed the funds in September 2016 and repaid the loan and interest in April 2017.
***** The amounts paid to Mr Martin Donohue are in relation to an interest free loan to the consolidated entity. The consolidated entity borrowed $10,000 in August 2016 and repaid the loan in June 2017.

Receivable from and payable to related parties
There were no amounts outstanding to related parties at 30 June 2017.

All related party transactions occurred on commercial arms-length terms.

Note 21. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2017 $	Parent 2016 $
Loss after income tax	(827,394)	(31,716)
Total comprehensive loss	(827,394)	(31,716)

Statement of financial position

	Parent 2017 $	Parent 2016 $
Total current assets	4,709,961	18,789
Total assets	6,333,501	671,149
Total current liabilities	231,690	(118,403)
Total liabilities	231,861	(118,403)
Equity		
Issued capital	7,467,921	1,538,760
Share based payment reserve	210,322	-
Accumulated losses	(1,576,603)	(749,208)
Total equity	6,101,640	789,552

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity has a deed of cross guarantee in place with Land & Minerals Limited. Please refer to note 23 for more information.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

The parent entity information above reflects E2 Metals Limited as it remains the legal parent entity of the group.

Note 22. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2017 %	2016 %
Land & Mineral Limited	Australia	100.00%	100.00%
Fisher Resources Pty Ltd	Australia	100.00%	100.00%
Hauraki Gold Limited	New Zealand	100.00%	100.00%
EMX New Zealand (BVI) Inc	British Virgin Islands	100.00%	100.00%

Note 23. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each Company guarantees the debts of the others:

E2 Metals Limited
Land & Mineral Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by E2 Metals Limited, they also represent the extended closed group.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the Closed Group.

Note 23. Deed of cross guarantee (continued)

	2017 $	2016 $
Revenue	10	6,769
Expenses		
Administrative expenses	(46,875)	(6,214)
Corporate expenses	(609,962)	(54,217)
Employment expenses	(185,774)	-
Impairment expense	(9,800)	-
Loss before income tax expense	(852,401)	(53,662)
Income tax expense	-	-
Loss after income tax expense for the year	(852,401)	(53,662)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(453)	23,644
Other comprehensive income/(loss) for the year, net or tax	(453)	23,644
Total comprehensive loss for the year	(852,854)	(30,018)

Note 23. Deed of cross guarantee (continued)

	2017 $	2016 $
Assets		
Current assets		
Cash and cash equivalents	4,608,339	38,776
Trade and other receivables	106,178	17,941
Other current assets	26,632	6,265
Total current assets	4,741,149	62,982
Non-current assets		
Exploration and evaluation	1,456,914	761,061
Other non-current assets	30,000	20,000
Total non-current assets	1,486,914	781,061
Total assets	6,228,063	844,043
Liabilities		
Current liabilities		
Trade and other payables	228,735	135,305
Employee benefits	3,790	-
Total current liabilities	232,525	135,305
Non-current liabilities		
Employee benefits	171	-
Total non-current liabilities	171	-
Total liabilities	232,696	135,305
Net assets	5,995,367	708,738
Equity		
Issued capital	8,381,747	2,452,586
Reserves	240,362	30,493
Accumulated losses	(2,626,742)	(1,774,341)
Total equity	5,995,367	708,738

Note 24. Events after the reporting period

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 25. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2017 $	Consolidated 2016 $
Loss after income tax expense for the year	(852,401)	(53,662)
Adjustments for:		
Share-based payments	28,672	-
Foreign exchange differences	1,065	(114)
Impairment of exploration and evaluation expenditure	9,800	-
Equity raising fees in consideration for options issued	90,774	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(88,237)	17,385
Decrease in prepayments	20,367	-
Decrease in trade and other payables	(93,430)	(154,775)
Increase in employee benefits	3,961	-
Net cash used in operating activities	(879,429)	(191,166)

Note 26. Earnings per share

	Consolidated 2017 $	Consolidated 2016 $
Loss after income tax attributable to the owners of E2 Metals Limited	(852,401)	(53,662)
	Cents	**Cents**
Basic earnings per share	(1.89)	(0.10)
Diluted earnings per share	(1.89)	(0.10)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	45,084,008	54,016,442
Weighted average number of ordinary shares used in calculating diluted earnings per share	45,084,008	54,016,442

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of E2 Metals Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Note 26. Earnings per share (continued)

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 27. Share-based payments

During the financial year, the consolidated entity issued 1,500,000 unlisted advisor options. These options are held in escrow for a period of 24 months from the date of official quotation.

Options

Set out below are summaries of options granted:

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
19/04/2017	19/04/2020	$0.25	-	1,500,000	-	-	1,500,000
			-	1,500,000	-	-	1,500,000

At 30 June 2017, no options were exercisable.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
19/04/2017	19/04/2020	$0.00	$0.25	155.50%	-	1.75%	$0.121

Performance rights

In June 2016, the consolidated entity agreed to issue 1,500,000 performance rights to Mr Simon Peters with various vesting conditions relating to share price hurdles and vesting dates. In April 2017 the consolidated entity cancelled the previous arrangement and agreed to issue 2,250,000 performance rights which were subject to performance hurdles relating to the consolidated entity achieving JORC resource targets.

Set out below are performance rights granted under the plan:

2017

Grant date	Expiry date	Value per right	Balance at the start of the year	Granted	Vested	Exercised	Expired/ forfeited/ other
08/06/2016	30/06/2017	$0.002	500,000	-	-	-	(500,000)*
08/06/2016	30/06/2018	$0.007	1,000,000	-	-	-	(1,000,000)*
19/04/2017	19/04/2020	$0.155	-	2,250,000	-	-	-
			1,500,000	2,250,000	-	-	(1,500,000)

* Performance rights cancelled under the prior agreement with Mr Peters.

At 30 June 2017, none of the performance rights had met the performance hurdles, and therefore none had vested.

Note 27. Share-based payments (continued)

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Exercise price	Probability of vesting	Dividend yield	Value at grant date
19/04/2017	19/04/2020	$0.00	100.00%	$0.00	$0.155

Accounting policy for share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees and advisors.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;

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

- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 23 to the financial statements.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Simon Peters
Managing Director

28 September 2017

E2 Metals Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of E2 Metals Limited (the Consolidated Entity), which comprises the statement of financial position as at 30 June 2017, the 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 other explanatory information, and the directors' declaration.

In our opinion, the annual financial report of the Consolidated Entity, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
(ii) 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 Consolidated Entity 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Consolidated Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

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

CHARTERED ACCOUNTANTS & ADVISORS
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Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

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.

CARRYING VALUE OF EXPLORATION COSTS	
Area of focus **Refer also to notes 1 , 2, 3 and 9**	**How our audit addressed it**
The Consolidated Entity have incurred exploration costs for their gold mining projects in Australia and New Zealand over a number of years. There is a risk that the accounting criteria associated with the capitalisation of exploration and evaluation expenditure may no longer be appropriate and that the capitalised costs exceed their value in use An impairment review is only required if an impairment trigger is identified. Due to the nature of the gold industry, indicators of impairment applying the value in use model could include: — Significant decrease seen in global gold prices — Changes to exploration plans — Loss of rights to tenements — Changes to reserve estimates — Costs of extraction and production — Exchange rate factors	Our audit procedures included: — A review of the directors' assessment of the criteria for the capitalisation of exploration expenditure and evaluation of whether there are any indicators for impairment to capitalised costs — Review of the integrity of the discounted cash flow model used by the directors to make an assessment as to whether impairment had occurred — Challenging and testing the key assumptions for sensitivity to the model. These key assumptions included: the expected future revenue and costs associated with the extraction and sale of the gold deposits, future gold prices, currency exchange rates, demand for the gold and the discount rate utilised in the financial model. We assessed the adequacy of the Consolidated Entity's disclosures in respect of exploration costs.

RELATED PARTY TRANSACTIONS	
Area of focus **Refer also to notes 1, 2, 16, 20, 27 and the Remuneration Report**	**How our audit addressed it**
There have been numerous related party transactions with companies where the Consolidated Entity or key management personnel of the Consolidated Entity have interests and/or are Directors. As, such, there is a risk that not all related party transactions are disclosed in the financial report or that related party transactions have been made on non-arm's length basis. — This could result in insufficient information being provided in order to enable the user of the financial report to understand the nature and effect of the various related party relationships and transactions.	Our audit procedures included: — Assessment of the Consolidated Entity's controls to identify and disclose related party transactions and transactions in accordance with the relevant accounting standards and the *Corporations Act 2001*. — Comparing the list of related parties provided by the Directors with internal sources. — Conducting an ASIC search for external directorships held by the Board members to evaluate whether all related party relationships and transactions had been appropriately identified and disclosed. — Assessing whether related party transactions were conducted at arms-length by comparing the basis of the transactions to external sources. For each class of related party transaction we compared the financial statement disclosures against the underlying transactions and the accounting and *Corporations Act 2001* requirements

SHARE BASED PAYMENTS	
Area of focus **Refer also to notes 1, 2, 16, 27 and the Remuneration Report**	**How our audit addressed it**
The Consolidated Entity entered into two share-based payment arrangements during the year: — The issue of performance rights to the Managing Director replacing share-based payments granted in the prior year. The replacement performance rights are subject to a service condition and will vest on certain non-market conditions being met. — The issue of options to a director related party in relation to corporate advisory services relating to the ASX listing which vested immediately on issue.	Our audit procedures included: — Evaluating the fair value of share-based payment arrangements by agreeing assumptions to third party evidence. In determining the grant dates, we evaluated the most appropriate dates based on the terms and conditions of the share-based payment arrangements. — Ensuring that the modification and replacement share-based payment award granted to the Managing Director has been appropriately recognised in accordance with AASB 2 Share Based Payments.

SHARE BASED PAYMENTS (Cont)	
Area of focus **Refer also to notes 1, 2, 16, 27 and the Remuneration Report**	**How our audit addressed it**
Each of these arrangements required significant judgments and estimations by management, including: — The determination of the grant date and the determination of the fair value of the underlying share price of the Consolidated Entity as at that grant date; — An assessment of any vesting conditions and the expected vesting period; and — The evaluation of key inputs into the valuation model. The results of these share-based payment arrangements materially affect the disclosures	— Assessing the vesting period and the recognition of the related expense over the appropriate period. — For the specific application of the valuation models, we assessed the experience of Management's expert used to determine the value of the arrangement. We retested some of the assumptions used in the model and recalculated those fair values using the experience and expertise of our own internal experts. — In respect of the performance rights issued to the Managing Director, we also reconciled the terms and conditions attaching to the share-based payment arrangements to disclosures made in both the key management personnel compensation note, the share based payment note and the disclosures in the Remuneration Report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2017, but does not include the financial report and the 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity or to cease operations, or has 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 the 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 Consolidated Entity'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 Consolidated Entity'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 Consolidated Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 18 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of E2 Metals Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

William Buck

Responsibilities

The directors of the Consolidated Entity 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.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136

J. C. Luckins
Director

Melbourne, 28 September 2017

The shareholder information set out below was applicable as at 21 September 2017.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of unlisted options over ordinary shares	Number of holders of performance rights over ordinary shares
1 to 1,000	3,557	-	-
1,001 to 5,000	28	64	-
5,001 to 10,000	312	17	-
10,001 to 100,000	185	78	-
100,001 and over	90	14	1
	4,172	173	1
Holding less than a marketable parcel	3,566	-	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
The Trust Company (Australia) Limited (MOF A/C)	3,975,000	6.55
Mr John Andrew Rodgers (John Rodgers Family A/C)	2,975,000	4.90
Capri Trading Pty Ltd (The Capri Family)	2,875,000	4.74
Lido Trading Limited	2,500,000	4.12
Mr James Henderson Allen	2,000,000	3.29
Tykune Pty Ltd	1,710,000	2.82
Olivers Hill Pty Ltd	1,665,000	2.74
Mrs Dominique Skye Stewart (Donohue Family)	1,625,000	2.68
Ms Freyja Mei-Liang Bruun	1,500,000	2.47
RL & JE Investments Pty Ltd (RW Developments Super)	1,500,000	2.47
Penstock Advisory Pty Ltd	1,200,000	1.98
Mr Mark Ronald Penny	1,100,000	1.81
Lam Consultants Pty Ltd	1,000,000	1.65
Ms Bess Annie Moraro	1,000,000	1.65
Commodity House Pty Ltd	1,000,000	1.65
Markota Pty Ltd (Separovic Super Fund A/C)	980,908	1.62
Auto Management Pty Ltd (The Branchi Family A/C)	891,967	1.47
Belair Australia Pty Ltd (The Capri Investment A/C)	850,000	1.40
Joyress Pty Ltd	725,000	1.19
GPST Pty Ltd (E&S Harken Super Fund A/C)	700,000	1.15
	31,772,875	52.35

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	9,376,421	173
Fully paid ordinary shares (escrowed)	7,264,691	18
Performance rights over ordinary shares issued	2,250,000	1

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
The Trust Company (Australia) Limited (MOF A/C)	3,975,000	6.55

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Tenements

Description	Tenement number	Interest owned %
Mount Hope, Australia	EL6837	100.00
Main Road, Australia	EL8058	100.00
Broken Range, Australia	EL8290	100.00
Mount Hope, Australia	EL5507	100.00
Hauraki Gold, New Zealand	EPM51767	100.00

Consistency with business objectives – ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the consolidated entity states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objectives are to continue to invest in exploration activities as part of the Mount Hope and Neavesville projects.

The consolidated entity believes it has used its cash in a consistent manner to which was disclosed under the Supplementary Prospectus dated 18 April 2017 and the Replacement Prospectus dated 18 April 2017.