

# **E2 Metals Limited**

**ABN 34 116 865 546**

## **Half Year Report - 31 December 2017**

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

|   |    |
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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 half-year ended 31 December 2017.

### **Directors**

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

Mr Simon Peters (Managing Director)  
Mr Chris Spurway (Technical Director) - retired 30 November 2017  
Ms Melanie Leydin (Chairperson)  
Mr Justin Klintberg (Non-executive Director)

### **Principal activities**

During the half-year the principal continuing activities of the Consolidated entity consisted of exploration and evaluation of mineral deposits in Australia and New Zealand, together with reviewing other asset opportunities.

### **Review of operations**

The loss for the Consolidated entity after providing for income tax amounted to \$318,125 (31 December 2016: \$220,138).

#### *Operating results*

Operating expenses for the half year was \$341,952, an increase of \$120,398 over the corresponding period (2016: \$221,554). This increase was due to higher director fees, mainly as a result of additional directors being appointed, and additional recognition of share based payments over the vesting period.

#### *Financial position*

Net assets have decreased by \$282,237 from \$5,995,367 at 30 June 2017 to \$5,713,130. This was driven by a decrease in working capital, offset by additional exploration expenditure capitalised during the half year.

#### *Review of operations*

During the six months to 31 December 2017, the Consolidated entity remained focused on the development of precious metal projects in prospective areas within existing goldfields where known mineralisation exists and where further exploration success is likely to support production. During the period, the Company completed a geological review over the Mount Solitary prospect. This has allowed further focus on planning further geological investigations. Further programs of work continue to be developed and incorporated into this year's work program. The review focused on targeting extensions of known high-grade gold mineralisation that remain open at the prospect. Mt Solitary lies at the northern end of 6 km of mineralised strike marked by a series of siliceous outcrops hosting zones of hydrothermal alteration. Previous drilling has confirmed the existence of at least three hydrothermal alteration zones associated with quartz veining, sulphides and anomalous multi-elements, with a significant structural zone intersected from 254m – 268m averaging 1.07g/t Au over the 14m intercept, including 3m @ 3.16g/t Au.

The Company has also prepared a permitted drill program at the Neavesville project situated in the Hauraki Goldfield. 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.

The Directors continued to review a number of diverse investment opportunities during the period, that included but were not limited to precious metal projects.

### **Significant changes in the state of affairs**

As part of the initial public offering, the consolidated entity issued 10,112,237 unlisted loyalty options with an exercise price of \$0.20 (20 cent) per option on or before 4 April 2019. A total of 7,876,421 options vested during the period, with 2,235,816 options being cancelled.

There were no other significant changes in the state of affairs of the Consolidated entity during the half-year.

### **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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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Simon Peters  
Managing Director

13 March 2018

**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 half-year ended 31 December 2017 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

*William Buck*

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

*N.S. Benbow*

**N.S. BENBOW**  
Director

Dated this 13<sup>th</sup> day of March, 2018

**CHARTERED ACCOUNTANTS  
& ADVISORS**

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Melbourne VIC 3000

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**E2 Metals Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2017**

|  | Note | Consolidated<br>December<br>2017<br>\$ | December<br>2016<br>\$ |
|--|------|--|------------------------|
| <b>Revenue</b>   |      |  |                        |
| Other income   |      | 4,758                                  | 1,406                  |
| Interest income  |      | 19,069                                 | 10                     |
| <b>Expenses</b>  |      |  |                        |
| Employment expenses  |      | (159,611)                              | (75,000)               |
| Share based payments   |      | (58,549)                               | -                      |
| Corporate expenses   |      | (71,959)                               | (97,639)               |
| Administration expenses  |      | (51,833)                               | (48,915)               |
| <b>Loss before income tax expense</b>  |      | (318,125)                              | (220,138)              |
| Income tax expense   |      | -                                      | -                      |
| <b>Loss after income tax expense for the half-year attributable to the owners of E2 Metals Limited</b> |      | (318,125)                              | (220,138)              |
| <b>Other comprehensive income</b>  |      |  |                        |
| <i>Items that may be reclassified subsequently to profit or loss</i>                                   |      |  |                        |
| Foreign currency translation   |      | (22,661)                               | 2,666                  |
| Other comprehensive income for the half-year, net of tax   |      | (22,661)                               | 2,666                  |
| <b>Total comprehensive income for the half-year attributable to the owners of E2 Metals Limited</b>    |      | <u>(340,786)</u>                       | <u>(217,472)</u>       |
|  |      | <b>Cents</b>                           | <b>Cents</b>           |
| Basic earnings/(loss) per share  | 7    | (0.52)                                 | (0.49)                 |
| Diluted earnings/(loss) per share  | 7    | (0.52)                                 | (0.49)                 |

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

|                                      | <b>Note</b> | <b>Consolidated<br/>December<br/>2017<br/>\$</b> | <b>June 2017<br/>\$</b> |
|--------------------------------------|-------------|--|-------------------------|
| <b>Assets</b>                        |             |  |                         |
| <b>Current assets</b>                |             |  |                         |
| Cash and cash equivalents            |             | 3,959,676  | 4,608,339               |
| Trade and other receivables          |             | 32,367   | 106,178                 |
| Prepayments                          |             | 18,849   | 26,632                  |
| <b>Total current assets</b>          |             | <u>4,010,892</u>                                 | <u>4,741,149</u>        |
| <b>Non-current assets</b>            |             |  |                         |
| Exploration and evaluation           | 4           | 1,729,495  | 1,456,914               |
| Security deposits                    |             | 30,000   | 30,000                  |
| <b>Total non-current assets</b>      |             | <u>1,759,495</u>                                 | <u>1,486,914</u>        |
| <b>Total assets</b>                  |             | <u>5,770,387</u>                                 | <u>6,228,063</u>        |
| <b>Liabilities</b>                   |             |  |                         |
| <b>Current liabilities</b>           |             |  |                         |
| Trade and other payables             |             | 46,705   | 228,735                 |
| Employee benefits                    |             | 10,108   | 3,790                   |
| <b>Total current liabilities</b>     |             | <u>56,813</u>                                    | <u>232,525</u>          |
| <b>Non-current liabilities</b>       |             |  |                         |
| Employee benefits                    |             | 444  | 171                     |
| <b>Total non-current liabilities</b> |             | <u>444</u>                                       | <u>171</u>              |
| <b>Total liabilities</b>             |             | <u>57,257</u>                                    | <u>232,696</u>          |
| <b>Net assets</b>                    |             | <u>5,713,130</u>                                 | <u>5,995,367</u>        |
| <b>Equity</b>                        |             |  |                         |
| Issued capital                       |             | 8,381,747  | 8,381,747               |
| Reserves                             |             | 276,250  | 240,362                 |
| Accumulated losses                   |             | (2,944,867)                                      | (2,626,742)             |
| <b>Total equity</b>                  |             | <u>5,713,130</u>                                 | <u>5,995,367</u>        |

*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 half-year ended 31 December 2017**

| <b>Consolidated</b>  | <b>Issued capital</b><br><b>\$</b> | <b>Shared based payment reserve</b><br><b>\$</b> | <b>Foreign currency translation reserve</b><br><b>\$</b> | <b>Accumulated losses</b><br><b>\$</b> | <b>Total equity</b><br><b>\$</b> |
|--|------------------------------------|--|--|--|----------------------------------|
| Balance at 1 July 2016                                       | 2,452,586                          | -  | 30,493   | (1,774,341)                            | 708,738                          |
| Loss after income tax expense for the half-year              | -                                  | -  | -  | (220,138)                              | (220,138)                        |
| Other comprehensive income for the half-year, net of tax     | -                                  | -  | 2,666  | -                                      | 2,666                            |
| Total comprehensive income for the half-year                 | -                                  | -  | 2,666  | (220,138)                              | (217,472)                        |
| <i>Transactions with owners in their capacity as owners:</i> |                                    |  |  |  |                                  |
| Contributions of equity, net of transaction costs            | 231,250                            | -  | -  | -                                      | 231,250                          |
| Equity raising fees  | (74,446)                           | -  | -  | -                                      | (74,446)                         |
| Balance at 31 December 2016                                  | <u>2,609,390</u>                   | <u>-</u>   | <u>33,159</u>  | <u>(1,994,479)</u>                     | <u>648,070</u>                   |

| <b>Consolidated</b>  | <b>Issued capital</b><br><b>\$</b> | <b>Shared based payment reserve</b><br><b>\$</b> | <b>Foreign currency translation reserve</b><br><b>\$</b> | <b>Accumulated losses</b><br><b>\$</b> | <b>Total equity</b><br><b>\$</b> |
|--|------------------------------------|--|--|--|----------------------------------|
| Balance at 1 July 2017                                       | 8,381,747                          | 210,322  | 30,040   | (2,626,742)                            | 5,995,367                        |
| Loss after income tax expense for the half-year              | -                                  | -  | -  | (318,125)                              | (318,125)                        |
| Other comprehensive income for the half-year, net of tax     | -                                  | -  | (22,661)   | -                                      | (22,661)                         |
| Total comprehensive income for the half-year                 | -                                  | -  | (22,661)   | (318,125)                              | (340,786)                        |
| <i>Transactions with owners in their capacity as owners:</i> |                                    |  |  |  |                                  |
| Share-based payments   | -                                  | 58,549   | -  | -                                      | 58,549                           |
| Balance at 31 December 2017                                  | <u>8,381,747</u>                   | <u>268,871</u>                                   | <u>7,379</u>   | <u>(2,944,867)</u>                     | <u>5,713,130</u>                 |

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

|   | <b>Consolidated</b>         |                             |
|---|-----------------------------|-----------------------------|
|   | <b>December</b>             | <b>December</b>             |
|   | <b>2017</b>                 | <b>2016</b>                 |
|   | <b>\$</b>                   | <b>\$</b>                   |
| <b>Cash flows from operating activities</b>                   |                             |                             |
| Payments to suppliers (inclusive of GST)                      | (242,061)                   | (308,530)                   |
| Interest received   | 19,069                      | 10                          |
| Other income  | 4,743                       | -                           |
| Interest paid   | (1,505)                     | (406)                       |
|   | <u>                    </u> | <u>                    </u> |
| Net cash used in operating activities                         | (219,754)                   | (308,926)                   |
| <b>Cash flows from investing activities</b>                   |                             |                             |
| Payments for exploration and evaluation                       | (406,240)                   | -                           |
| Payments for security deposits                                | -                           | (10,000)                    |
|   | <u>                    </u> | <u>                    </u> |
| Net cash used in investing activities                         | (406,240)                   | (10,000)                    |
| <b>Cash flows from financing activities</b>                   |                             |                             |
| Proceeds from issue of shares                                 | -                           | 231,250                     |
| Proceeds from borrowings                                      | -                           | 130,000                     |
| Equity raising costs  | -                           | (74,446)                    |
|   | <u>                    </u> | <u>                    </u> |
| Net cash from financing activities                            | -                           | 286,804                     |
| Net decrease in cash and cash equivalents                     | (625,994)                   | (32,122)                    |
| Cash and cash equivalents at the beginning of the half-year   | 4,608,339                   | 38,773                      |
| Effects of exchange rate changes on cash and cash equivalents | (22,669)                    | 4,073                       |
|   | <u>                    </u> | <u>                    </u> |
| Cash and cash equivalents at the end of the half-year         | <u><u>3,959,676</u></u>     | <u><u>10,724</u></u>        |

*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 half-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 13 March 2018.

### **Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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.

### **Note 3. 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  
Corporate

#### *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.

**Note 3. Operating segments (continued)**

*Operating segment information*

All revenues, expenses, and liabilities are allocated to the corporate segment. All assets are allocated to the corporate segment, other than exploration and evaluation assets. Refer to note 4 for further details.

**Note 4. Non-current assets - exploration and evaluation**

|                            | <b>Consolidated</b> |                  |
|----------------------------|---------------------|------------------|
|                            | <b>December</b>     | <b>June 2017</b> |
|                            | <b>2017</b>         | <b>2017</b>      |
|                            | <b>\$</b>           | <b>\$</b>        |
| Exploration and evaluation | 1,729,495           | 1,456,914        |

*Reconciliations*

Reconciliation of the written down values at the beginning and end of the current half-year are set out below:

| <b>Consolidated</b>              | Exploration and<br>evaluation<br>\$ |
|----------------------------------|-------------------------------------|
| Balance at 1 July 2017           | 1,456,914                           |
| Expenditure during the half year | 294,359                             |
| Foreign exchange differences     | <u>(21,778)</u>                     |
| Balance at 31 December 2017      | <u>1,729,495</u>                    |

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.

Reconciliation of the written down values allocated between operating segments at the end of the current half-year are set out below:

|                                  | <b>Consolidated</b> |                  |
|----------------------------------|---------------------|------------------|
|                                  | <b>December</b>     | <b>June 2017</b> |
|                                  | <b>2017</b>         | <b>2017</b>      |
|                                  | <b>\$</b>           | <b>\$</b>        |
| New Zealand                      | 714,678             | 650,620          |
| Australia                        | 1,014,817           | 806,294          |
| Total Exploration and evaluation | <u>1,729,495</u>    | <u>1,456,914</u> |

**Note 5. 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).

**Note 5. Contingent liabilities (continued)**

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 entity has contingent payments subject to meeting relevant milestones.

**Note 6. Events after the reporting period**

No matter or circumstance has arisen since 31 December 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 7. Earnings per share**

|   | <b>Consolidated</b>      |                          |
|---|--------------------------|--------------------------|
|   | <b>December<br/>2017</b> | <b>December<br/>2016</b> |
|   | <b>\$</b>                | <b>\$</b>                |
| Loss after income tax attributable to the owners of E2 Metals Limited                     | <u>(318,125)</u>         | <u>(220,138)</u>         |
|   | <b>Number</b>            | <b>Number</b>            |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | <u>60,707,938</u>        | <u>45,273,017</u>        |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>60,707,938</u>        | <u>45,273,017</u>        |
|   | <b>Cents</b>             | <b>Cents</b>             |
| Basic earnings/(loss) per share   | (0.52)                   | (0.49)                   |
| Diluted earnings/(loss) per share   | (0.52)                   | (0.49)                   |

*Diluted earnings/(loss) per share*

The rights to options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights to options are non-dilutive as the consolidated entity has generated a loss for the year.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



---

Simon Peters  
Managing Director

13 March 2018

## E2 Metals Limited

### Independent auditor's review report to members

## Report on the Review of the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of E2 Metals Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of E2 Metals Limited is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

### Responsibilities of the Directors for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of E2 Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

#### CHARTERED ACCOUNTANTS & ADVISORS

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enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

William Buck

**William Buck Audit (Vic) Pty Ltd**

ABN: 59 116 151 136



**N.S. BENBOW**

Director

Dated this 13<sup>th</sup> day of March, 2018