# E2 Metals Limited

**ABN 34 116 865 546**

# Annual Report - 30 June 2018

| | |
|---|---|
| Directors | Mr Simon Peters (Managing Director)<br>Ms Melanie Leydin (Non-Executive Chairperson)<br>Mr Justin Klintberg (Non-Executive Director) |
| Company secretaries | Mr Justin Mouchacca<br>Ms Melanie Leydin |
| Registered office | Level 4<br>100 Albert Road<br>South Melbourne VIC 3205<br>Phone: 03 9692 7222<br>Fax: 03 9077 9233 |
| 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 securities are listed on the Australian Securities Exchange (ASX: E2M) |
| Corporate Governance Statement | The Company's 2018 Corporate Governance Statement has been released to ASX on 27 September 2018 |

***Financial results***

The loss for the consolidated entity after providing for income tax amounted to $607,431 (2017: $852,401).

The financial year saw a $205,646 reduction in operating expenses to $646,765 (2017: $852,411). This was largely due to significant expenses in the prior year associated with the consolidated entity's listing on the ASX in April 2017. This decrease in corporate expenses was offset by a $147,880 increase in employment expenses to $333,654 (2017: $185,774). This was a result of Directors agreeing to forgo their wages until the successful listing of the consolidated entity.

Closing cash at 30 June 2018 was $2,703,480 (2017: $4,608,339). The decrease was mainly due to a $1,000,000 investment in a term deposit, and also a result of funds spent on the Mount Hope and Neavesville projects and normal operating expenses during the year. Closing capitalised exploration and evaluation was $1,758,183, an increase of $301,269 since 2017 ($1,456,914).

***Exploration projects***

Following its listing on the ASX in April 2017, the consolidated entity continued 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 2018 financial year included:

- Completed a review of historic data;
- Completion of Phase two drill program at the Mt Hope Gold Project, intersecting 14m @ 1.07g/t Au from 254m including 3m @ 3.16g/t Au from 255m *as reported ASX release 13 October 2017.*
- Completion of a 10-day structural mapping and geophysical program over the Mt hope group of projects;
- Secured further contiguous exploration area to the west of Mt Solitary with granting of EL8654.

The Mount Hope Project (Figure 1) comprises EL6837, EL8058, EL8290, and EL8654, located approximately 160 km south of Cobar and 95 km north of Hillston, in the Cobar Basin of central New South Wales. The most prospective area of these tenements is focused around 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.

EL8654, situated to the west of Mount Solitary 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.

Phase two drilling consisted of a hole of 406m depth, encountered hydrothermal alteration associated with quartz veining, sulphides and anomalous multi-elements, similar to previously intersected mineralised intercepts and typical of the mineralisation sought.

The 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 drilling extended the intersected depths of the mineralised structural zones to 350m below surface, at the deepest. This demonstrates that these structural zones have significant depth continuity and remain fertile, albeit of lower tenor gold grades. The control on the higher-grade shoot architecture remains to be resolved.

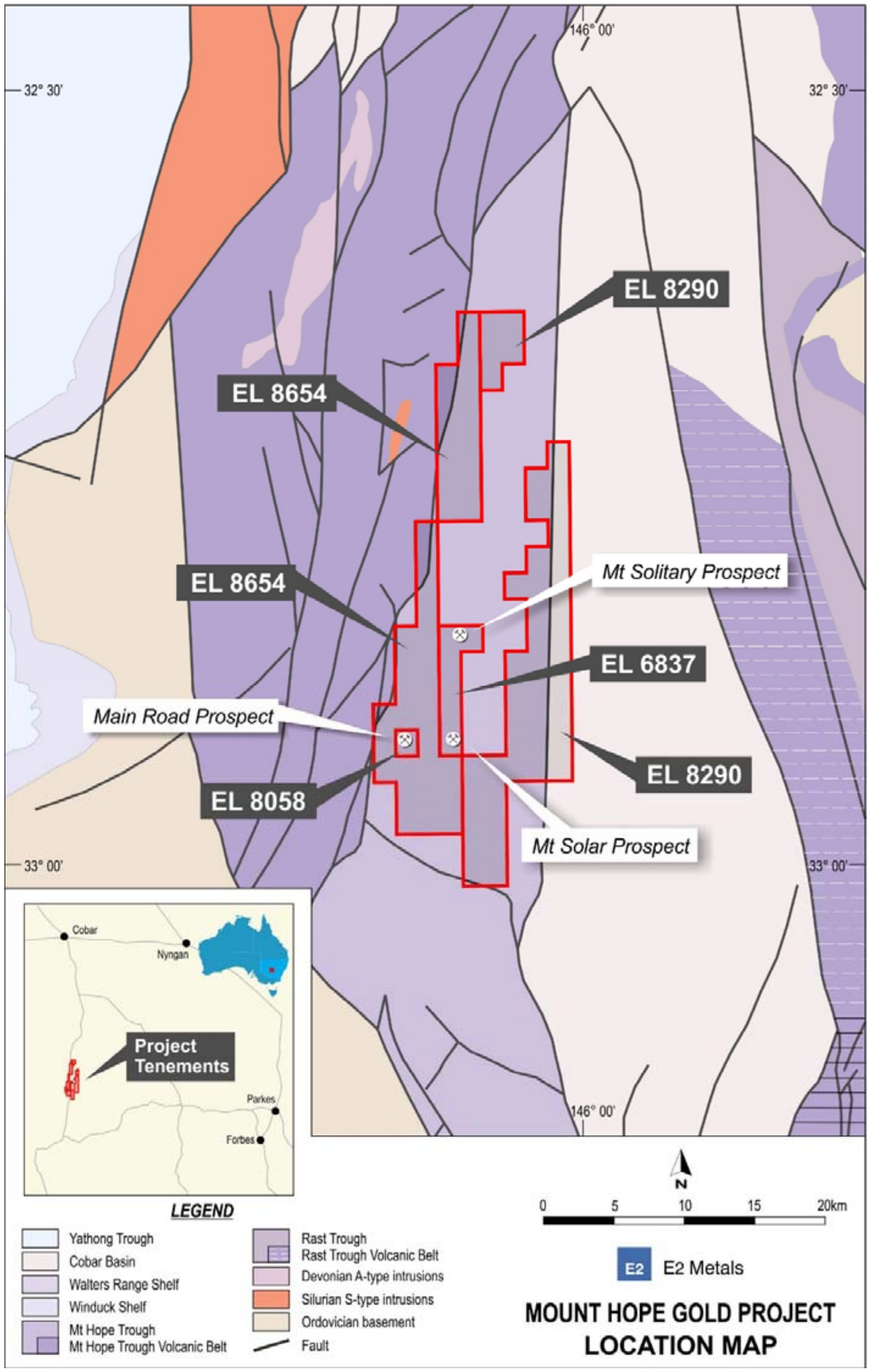
Significant Assays returned from hole 17MSD015 using a 0.3g/t Au lower cut included;

- 1.4m @ 0.34g/t Au from 80.6m
- 6m @ 1.75g/t Au from 255m including 3m @ 3.16g/t Au or 1m @ 4.84g/t Au from 255m
- 1m @ 0.37g/t Au from 262m
- 3m @ 1.14g/t Au from 264m including 1m @ 2.75g/t Au from 264m

**Note**: Assay intercepts are calculated based on a minimum weighted average grade of 0.3 g/t Au using a 0.3 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 structural study mapping study and model undertaken by Geokincern Ltd was completed during the reporting period. Several target zones were identified which are being followed up.

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



E2 Metals

**Neavesville Project (New Zealand)**

Work conducted at Neavesville during the 2018 financial year primarily consisted of successfully obtaining extension of obligations to the conditions of Neavesville exploration permit. Obligations associated with the permit are now due April 2020.

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

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 2018.

## 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 (resigned 30 November 2017)
Ms Melanie Leydin
Mr Justin Klintberg

## 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 $607,431 (30 June 2017: $852,401).

For information on the operating and financial performance and position of the consolidated entity refer to the Review of Operations in the preceding section.

## 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 financial year.

## Matters subsequent to the end of the financial year
On 25 June 2018 the company announced that it executed a binding agreement to acquire 100% of the Cootamundra Cobalt-Nickel Project in Central Western NSW from private company Cobalt Magnetic Pty Ltd.

On 24 August 2018 the company subsequently announced that it formally agreed to terminate its binding offer, and as a result a termination deed was executed and the acquisition will not be proceeding.

No other matter or circumstance has arisen since 30 June 2018 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.<br><br>More recently, 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.<br><br>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: | Non-Executive Director and Chairperson |
| 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 Justin Klintberg |
| Title: | Non-Executive Director |
| 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: | 1,039,201 fully paid ordinary shares |
| Interests in options: | 1,200,000 unlisted options |

| | |
|---|---|
| Name: | Mr Chris Spurway |
| Title: | Executive Director (resigned 30 November 2017) |
| Qualifications: | B.Sc. (Hons), FAusIMM, FSEG, MAIG, GSA |
| Experience and expertise: | 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.<br><br>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 on date of resignation |

'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, CA*
Mr Mouchacca holds a Bachelor of Business majoring in Accounting. Justin became a Chartered Accountant in 2011 and since July 2013 has been a principal of chartered accounting firm, Leydin Freyer Corp Pty Ltd, specialising in outsourced company secretarial and financial duties. Justin has over 11 years' experience in the accounting profession including 5 years in the Corporate Secretarial professions and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange.

*Melanie Leydin, CA*
Ms Leydin has 25 years' experience in the accounting profession including 13 years in the Corporate Secretarial professions and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, she has been the principal of Leydin Freyer, specialising in outsourced company secretarial and financial duties.

### Meetings of Directors
The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

| | Full Board | |
|---|---|---|
| | Attended | Held |
| Simon Peters | 9 | 9 |
| Melanie Leydin | 9 | 9 |
| Justin Klintberg | 9 | 9 |
| Chris Spurway* | 6 | 6 |

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

* Mr Spurway resigned on 30 November 2017.

### 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 information
- 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.

ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 8 November 2017, where the shareholders approved an aggregate remuneration of $300,000.

*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 2018 no cash incentives were paid (2017: 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 2018 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. Refer to the 'Additional Information' disclosure for a summary of earnings of the Company.

*Use of remuneration consultants*
During the financial year ended 30 June 2018, 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)
- Ms Melanie Leydin (Non-Executive Chairperson)
- Mr Justin Klintberg (Non-Executive Director)
- Mr Chris Spurway (Non-Executive Director) (resigned 30 November 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 | |
|---|---|---|---|---|---|---|---|
| **2018** | Cash salary and fees $ | Cash bonus $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Equity-settled $ | Total $ |
| *Non-Executive Directors:* | | | | | | | |
| Melanie Leydin | 60,000 | - | - | - | - | - | 60,000 |
| Justin Klintberg | 40,000 | - | - | - | - | - | 40,000 |
| Chris Spurway* | 16,667 | - | - | - | - | - | 16,667 |
| *Executive Directors:* | | | | | | | |
| Simon Peters** | 136,220 | - | - | 7,442 | 273 | 116,144 | 260,079 |
| *Other Key Management Personnel:* | | | | | | | |
| Justin Mouchacca*** | 90,000 | - | - | - | - | - | 90,000 |
| | 342,887 | - | - | 7,442 | 273 | 116,144 | 466,746 |

* Mr Spurway resigned on 30 November 2017.
** Included in cash salary and fees is $6,318 in movement in annual leave provision, and $33,568 in consulting fees paid to Sustainable Project Services Pty Ltd, an entity associated with Mr Peters.
*** Fees paid to Leydin Freyer Corp Pty Ltd in respect of company secretarial and accounting services, an entity associated with Ms Leydin and Mr Mouchacca.

| 2017 | Short-term benefits<br>Cash salary and fees<br>$ | <br>Cash bonus<br>$ | <br>Non-monetary<br>$ | Post-employment benefits<br>Super-annuation<br>$ | Long-term benefits<br>Long service leave<br>$ | Share-based payments<br>Equity-settled<br>$ | <br>Total<br>$ |
|---|---|---|---|---|---|---|---|
| *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 | 171 | 28,672 | 147,393 |
| *Other Key Management Personnel:* | | | | | | | |
| Justin Mouchacca | 104,500 | - | - | - | - | - | 104,500 |
| | 302,819 | - | - | 8,550 | 171 | 28,672 | 340,212 |

* Mr Donohue resigned 28 March 2017.

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

| Name | Fixed remuneration 2018 | Fixed remuneration 2017 | At risk - STI 2018 | At risk - STI 2017 | At risk - LTI 2018 | At risk - LTI 2017 |
|---|---|---|---|---|---|---|
| *Non-Executive Directors:* | | | | | | |
| Chris Spurway | 100% | 100% | - | - | - | - |
| Melanie Leydin | 100% | 100% | - | - | - | - |
| Martin Donohue* | - | 100% | - | - | - | - |
| Justin Klintberg | 100% | 100% | - | - | - | - |
| *Executive Directors:* | | | | | | |
| Simon Peters | 54% | 81% | - | - | 46% | 19% |
| *Other Key Management Personnel:* | | | | | | |
| Justin Mouchacca | 100% | 100% | - | - | - | - |

* Mr Donohue resigned 28 March 2017.

***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. |

| | |
|---|---|
| Name: | Melanie Leydin |
| Title: | Non-Executive Chairperson |
| Agreement commenced: | 28 March 2017 |
| Term of agreement: | No fixed term. |
| Details: | Annual salary is $60,000. |

| | |
|---|---|
| Name: | Justin Klintberg |
| 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: | 7 October 2016 |
| 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 2018.

*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 2018.

*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 2018 are set out below:

| Name | Number of rights granted during the year 2018 | Number of rights granted during the year 2017 | Number of rights vested during the year 2018 | Number of rights vested during the year 2017 |
|---|---|---|---|---|
| Simon Peters | - | 2,250,000 | - | - |

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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 information***

The earnings of the consolidated entity for the two years to 30 June 2018 are summarised below:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Revenue | 39,334 | 10 |
| Loss after income tax | (607,431) | (852,401) |
| Total comprehensive income | (626,617) | (852,854) |

***Additional disclosures relating to key management personnel***

*Shareholding*

The number of shares in the Company 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 | 300,000 | - | - | - | 300,000 |
| Chris Spurway* | 100,000 | - | - | (100,000) | - |
| Melanie Leydin | 816,800 | - | - | - | 816,800 |
| Justin Klintberg | 800,000 | - | 239,201 | - | 1,039,201 |
| | 2,016,800 | - | 239,201 | (100,000) | 2,156,001 |

* Mr Spurway resigned on 30 November 2017. Balance in the disposals/other column represents balance on the date of resignation.

*Option holding*

The number of options over ordinary shares in the Company 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 | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Options over ordinary shares* | | | | | |
| Simon Peters | 33,333 | - | - | - | 33,333 |
| Justin Klintberg | 1,200,000 | - | - | - | 1,200,000 |
| | 1,233,333 | - | - | - | 1,233,333 |

*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.

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

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Sale of goods and services: | | |
| Payments to Leydin Freyer Corp Pty Ltd, an associated entity of Ms Melanie Leydin and Mr Justin Mouchacca* | 90,000 | 104,500 |
| Payments to Sustainable Project Services, an associated entity of Mr Simon Peters** | 51,568 | - |
| Payments to Merchant Corporate Advisory, an associated entity of Mr Justin Klintberg | - | 358,000 |
| | | |
| 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 Leydin Freyer Corp Pty Ltd relate to company secretarial and CFO services provided to the consolidated entity during the financial year.
** The amounts paid to Sustainable Project Services relate to Mr Peters' director fees and consulting services.

*Receivable from and payable to related parties*
The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Current payables: | | |
| Trade payables to Leydin Freyer Corp Pty Ltd, an entity associated to Ms Melanie Leydin and Mr Justin Mouchacca | 8,280 | - |
| Trade payables to Sustainable Project Services, an entity associated to Mr Simon Peters | 6,500 | - |

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

***This concludes the remuneration report, which has been audited.***

## 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 | 4 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, 1,350,000 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 2018 and up to the date of this report.

### Indemnity and insurance of officers
During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### 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

27 September 2018

William Buck

**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 2018 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

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

**N. S. Benbow**
Director

Dated 27 September 2018

**CHARTERED ACCOUNTANTS & ADVISORS**

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

**williambuck.com**

| | Note | Consolidated 2018 $ | 2017 $ |
|---|---|---|---|
| **Revenue** | | 39,334 | 10 |
| **Expenses** | | | |
| Administrative expenses | | (31,648) | (46,875) |
| Corporate expenses | | (281,463) | (609,962) |
| Employment expenses | | (333,654) | (185,774) |
| Impairment expense | | - | (9,800) |
| **Loss before income tax expense** | | (607,431) | (852,401) |
| Income tax expense | 5 | - | - |
| **Loss after income tax expense for the year attributable to the owners of E2 Metals Limited** | | (607,431) | (852,401) |
| **Other comprehensive loss** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | (19,186) | (453) |
| Other comprehensive loss for the year, net of tax | | (19,186) | (453) |
| **Total comprehensive loss for the year attributable to the owners of E2 Metals Limited** | | (626,617) | (852,854) |
| | | **Cents** | **Cents** |
| Basic earnings/(loss) per share | 26 | (1.00) | (1.89) |
| Diluted earnings/(loss) per share | 26 | (1.00) | (1.89) |

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

| | Note | Consolidated 2018 $ | 2017 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 2,703,480 | 4,608,339 |
| Trade and other receivables | 7 | 27,784 | 106,178 |
| Other current assets | 8 | 1,027,777 | 26,632 |
| Total current assets | | 3,759,041 | 4,741,149 |
| **Non-current assets** | | | |
| Exploration and evaluation | 9 | 1,758,183 | 1,456,914 |
| Other non-current assets | 10 | 50,000 | 30,000 |
| Total non-current assets | | 1,808,183 | 1,486,914 |
| **Total assets** | | 5,567,224 | 6,228,063 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 71,778 | 228,735 |
| Employee benefits | | 10,108 | 3,790 |
| Total current liabilities | | 81,886 | 232,525 |
| **Non-current liabilities** | | | |
| Employee benefits | | 444 | 171 |
| Total non-current liabilities | | 444 | 171 |
| **Total liabilities** | | 82,330 | 232,696 |
| **Net assets** | | 5,484,894 | 5,995,367 |
| **Equity** | | | |
| Issued capital | 12 | 8,381,747 | 8,381,747 |
| Reserves | 13 | 337,320 | 240,362 |
| Accumulated losses | | (3,234,173) | (2,626,742) |
| **Total equity** | | 5,484,894 | 5,995,367 |

*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 2018

| 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 |

| Consolidated | Issued capital $ | Share based payment reserve $ | Foreign currency translation reserve $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| 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 year | - | - | - | (607,431) | (607,431) |
| Other comprehensive loss for the year, net of tax | - | - | (19,186) | - | (19,186) |
| Total comprehensive loss for the year | - | - | (19,186) | (607,431) | (626,617) |
| Vesting of Share based payments | - | 116,144 | - | - | 116,144 |
| Balance at 30 June 2018 | 8,381,747 | 326,466 | 10,854 | (3,234,173) | 5,484,894 |

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

E2 Metals

| | Note | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers (inclusive of GST) | | (439,334) | (866,160) |
| Interest received | | 34,536 | 10 |
| Interest and other finance costs paid | | (3,123) | (13,279) |
| Other income | | 4,743 | - |
| Net cash used in operating activities | 25 | (403,178) | (879,429) |
| **Cash flows from investing activities** | | | |
| Payments for exploration and evaluation | | (481,681) | (560,906) |
| Payments for deposits | | (1,020,000) | (10,000) |
| Net cash used in investing activities | | (1,501,681) | (570,906) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | - | 6,297,400 |
| Equity raising costs | | - | (278,090) |
| Net cash from financing activities | | - | 6,019,310 |
| Net increase/(decrease) in cash and cash equivalents | | (1,904,859) | 4,568,975 |
| Cash and cash equivalents at the beginning of the financial year | | 4,608,339 | 38,776 |
| Effects of exchange rate changes on cash and cash equivalents | | - | 588 |
| Cash and cash equivalents at the end of the financial year | 6 | 2,703,480 | 4,608,339 |

*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 27 September 2018. 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 wholly 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 2018 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.

*Foreign operations*
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.

### 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.

## Note 2. Significant accounting policies (continued)

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.

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.

## Note 2. Significant accounting policies (continued)

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.

**Australian Accounting Standards issued but not yet effective**
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 2018. 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 July 2018 and the impact of its adoption has been assessed as follows. The consolidated entity's financial instruments consist of cash and cash equivalents, trade and other receivables, and trade and other payables. These will continue to be measured at amortised cost. In relation to impairment requirements, using the ECL is not expected to change the determination of allowances. The Board believes adoption of this standard will not have a significant impact to the financial statements.

*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 2018, however, interest income being the sole revenue stream for the year ended 30 June 2018 is out of scope from transitioning to AASB 15.

## 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.

The consolidated entity will adopt this standard from 1 July 2019, however does not expect the impact to be significant as the consolidated entity is not party to any operating lease arrangements.

## 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 - 2018 | New Zealand $ | Australia $ | Unallocated $ | Total $ |
|---|---|---|---|---|
| **Revenue** | 4,798 | 34,536 | - | 39,334 |
| Administrative expenses | - | - | (31,648) | (31,648) |
| Corporate expenses | - | - | (281,463) | (281,463) |
| Employment expenses | - | - | (333,654) | (333,654) |
| **Profit/(loss) before income tax expense** | 4,798 | 34,536 | (646,765) | (607,431) |
| Income tax expense | | | | - |
| **Loss after income tax expense** | | | | (607,431) |
| | | | | |
| **Assets** | | | | |
| Exploration Expenditure | 744,005 | 1,014,178 | - | 1,758,183 |
| *Unallocated assets:* | | | | |
| Cash and cash equivalents | | | | 3,703,480 |
| Trade and other receivables | | | | 27,784 |
| Prepayments | | | | 27,777 |
| Other non-current assets | | | | 50,000 |
| **Total assets** | | | | 5,567,224 |
| | | | | |
| **Liabilities** | | | | |
| *Unallocated liabilities:* | | | | |
| Trade and other payables | | | | 71,778 |
| Employee Benefits | | | | 10,552 |
| **Total liabilities** | | | | 82,330 |

## Note 4. Operating segments (continued)

| **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 5. Income tax

| | **Consolidated** | |
|---|---|---|
| | **2018 $** | **2017 $** |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Loss before income tax expense | (607,431) | (852,401) |
| | | |
| Tax at the statutory tax rate of 27.5% | (167,044) | (234,410) |
| | | |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Share based payments | 31,940 | 7,885 |
| Non-deductible expenses | - | 1,374 |
| Shares and options issued in consideration for services | - | 25,162 |
| | (135,104) | (199,989) |
| | | |
| Current year tax losses not recognised | 173,977 | 358,701 |
| Current year temporary differences not recognised | (38,873) | (158,712) |
| | | |
| Income tax expense | - | - |

**Note 5. Income tax (continued)**

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| *Tax losses not recognised* | | |
| Unused tax losses for which no deferred tax asset has been recognised | 3,301,960 | 3,039,988 |
| Potential tax benefit @ 27.5% | 908,039 | 835,997 |

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 2018 and 30 June 2017 due to the losses from operations.

At 30 June 2018, 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 $3,301,960 (2017: $3,039,988) potentially available to offset against future years' taxable Income.

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

The future income tax benefit, 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.

**Note 5. Income tax (continued)**

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.

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 | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Cash at bank | 1,703,480 | 4,608,339 |
| Cash on deposit | 1,000,000 | - |
| | 2,703,480 | 4,608,339 |

*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 | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| GST receivable and other receivables | 27,784 | 106,178 |

*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 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Prepayments | 27,777 | 26,632 |
| Term deposits | 1,000,000 | - |
| | 1,027,777 | 26,632 |

Term deposits are made for varying periods from three to twelve months.

## Note 9. Non-current assets - exploration and evaluation

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Exploration and evaluation | 1,758,183 | 1,456,914 |

*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 $ |
|---|---|
| Balance at 1 July 2016 | 761,061 |
| Expenditure during the year | 710,202 |
| Exchange differences | (4,549) |
| Impairment of assets | (9,800) |
| | |
| Balance at 30 June 2017 | 1,456,914 |
| Expenditure during the year | 335,523 |
| Exchange differences | (34,254) |
| | |
| Balance at 30 June 2018 | 1,758,183 |

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.

*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 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Security deposits | 50,000 | 30,000 |

## Note 11. Current liabilities - trade and other payables

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Trade payables | 16,617 | 122,577 |
| Accrued expenses | 33,902 | 86,587 |
| Other payables | 21,259 | 19,571 |
| | 71,778 | 228,735 |

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 2018 Shares | 2017 Shares | 2018 $ | 2017 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 60,707,938 | 60,707,938 | 8,381,747 | 8,381,747 |

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 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 |
| Balance | 30 June 2018 | 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.

## Note 12. Equity - issued capital (continued)

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.

*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. The consolidated entity operates globally, primarily through subsidiary companies established in the markets in which the consolidated entity trades. None of the consolidated entities are subject to externally imposed capital requirements.

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 2017 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 | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Foreign currency reserve | 10,854 | 30,040 |
| Share based payment reserve | 326,466 | 210,322 |
| | 337,320 | 240,362 |

*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 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 |
| Foreign currency translation | - | (19,186) | (19,186) |
| Share based payments | 116,144 | - | 116,144 |
| Balance at 30 June 2018 | 326,466 | 10,854 | 337,320 |

## 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 assets and liabilities. The tables have been drawn up based on the undiscounted cash flows based on the earliest date on which the financial assets and liabilities are required to be paid.

| **Consolidated - 2018** | 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 | - | 16,617 | - | - | - | 16,617 |
| Other payables | - | 55,161 | - | - | - | 55,161 |
| *Interest-bearing - fixed rate* | | | | | | |
| Term deposits | 2.62% | 1,000,000 | - | - | - | 1,000,000 |
| Total non-derivatives | | 1,071,778 | - | - | - | 1,071,778 |

| **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 |

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

## 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 (Non-executive Director) (resigned 30 November 2017)
Ms Melanie Leydin (Non-executive Chairperson)
Mr Justin Klintberg (Non-executive Director)

*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 | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Short-term employee benefits | 342,887 | 302,819 |
| Post-employment benefits | 7,442 | 8,550 |
| Long-term benefits | 273 | 171 |
| Share-based payments | 116,144 | 28,672 |
| | 466,746 | 340,212 |

### 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 | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| *Audit services - William Buck Audit (Vic) Pty Ltd* | | |
| Audit or review of the financial statements | 24,000 | 23,000 |

### Note 18. Contingent liabilities

*Planned exploration expenditure*
The Company 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 entity has contingent payments subject to meeting relevant milestones as follows.

(i) Within 30 days after the end of the exploration period (which expired on 17/9/2017) and on or before each anniversary of the Effective Date after the end of the Exploration Period, until commencement of commercial production from the area of the Permits L&M must pay Eurasian a further 100 troy ounces of Gold (Further Payments). The Further Payments are to be credited against 80% of each payment of deferred purchase consideration referred to below.

(ii) Upon an announcement of Mineral Resources (as defined in the 2012 JORC Code), L&M must pay to Eurasian one (1) troy ounce of Gold for every 1,000 ounces of contained gold in such Mineral Resources (the First Milestone Payment).

(iii) Additional amounts payable from time to time based on aggregate proved ore reserves and probable ore resources of gold reported in the feasibility study, or which ore reserves are otherwise publicly reported by L&M subsequent to completion of such feasibility study, which payments shall over time equal one (1) troy ounce of gold for every 500 troy ounces of gold in ore reserves (collectively the Post-FS Payments). Post-FS Payments must be made within 10 days after a decision to construct a mine based on the feasibility study and thereafter within 10 days after L&M publicly reports an increase in total ore reserves.

### Note 18. Contingent liabilities (continued)

(iv) L&M must also pay Eurasian a 3% net smelter return in US Dollars (Deferred Purchase Consideration). The liability for this Deferred Purchase Consideration is partially to be satisfied by each of the annual payments of 100 troy ounces of gold referred to in paragraph (i) above. The terms of payment of the Deferred Purchase Consideration are set out in the HGL Purchase Agreement and include terms and conditions usual in agreements of this nature.

### Note 19. Commitments

| | Consolidated 2018 $ | 2017 $ |
|---|---|---|
| *Planned exploration expenditure* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 230,000 | 205,000 |
| One to five years | 245,000 | 170,000 |
| | 475,000 | 375,000 |

**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 2018 $ | 2017 $ |
|---|---|---|
| Sale of goods and services: | | |
| Payments to Leydin Freyer Corp Pty Ltd, an associated entity of Ms Melanie Leydin and Mr Justin Mouchacca* | 90,000 | 104,500 |
| Payments to Sustainable Project Services, an associated entity of Mr Simon Peters** | 51,568 | - |
| Payments to Merchant Corporate Advisory, an associated entity of Mr Justin Klintberg | - | 358,000 |
| | | |
| 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 |

## Note 20. Related party transactions (continued)

* 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.
** The amounts paid to Sustainable Project Services relate to Mr Peters' director fees and consulting services.

*Receivable from and payable to related parties*
The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Current payables: | | |
| Trade payables to Leydin Freyer Corp Pty Ltd, an entity associated to Ms Melanie Leydin and Mr Justin Mouchacca | 8,280 | - |
| Trade payables to Sustainable Project Services, an entity associated to Mr Simon Peters | 6,500 | - |

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 | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Loss after income tax | (607,037) | (827,394) |
| Total comprehensive loss | (607,037) | (827,394) |

*Statement of financial position*

| | Parent | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Total current assets | 3,725,184 | 4,709,961 |
| Total assets | 5,693,074 | 6,333,501 |
| Total current liabilities | 81,885 | 231,690 |
| Total liabilities | 82,329 | 231,861 |
| Equity | | |
| Issued capital | 7,467,921 | 7,467,921 |
| Share based payment reserve | 326,466 | 210,322 |
| Accumulated losses | (2,183,642) | (1,576,603) |
| Total equity | 5,610,745 | 6,101,640 |

*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 as per note 22.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017

## Note 21. Parent entity information (continued)

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

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 2018 % | Ownership interest 2017 % |
|---|---|---|---|
| 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.

Total liabilities for the closed Group at 30 June 2018 total $750,770 (2017: $232,696).

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

| Statement of profit or loss and other comprehensive income | 2018 $ | 2017 $ |
|---|---|---|
| Revenue | 34,536 | 10 |
| Administrative expenses | (28,177) | (46,875) |
| Corporate expenses | (319,592) | (609,962) |
| Employment expenses | (295,079) | (185,774) |
| Impairment expense | - | (9,800) |
| **Loss before income tax expense** | (608,312) | (852,401) |
| Income tax expense | - | - |
| **Loss after income tax expense** | (608,312) | (852,401) |
| **Other comprehensive loss** | | |
| Foreign currency translation | - | (453) |
| Other comprehensive loss for the year, net of tax | - | (453) |
| **Total comprehensive loss for the year** | (608,312) | (852,854) |

## Note 23. Deed of cross guarantee (continued)

| Statement of financial position | 2018 $ | 2017 $ |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 2,675,611 | 4,608,339 |
| Trade and other receivables | 24,970 | 106,178 |
| Other current assets | 1,047,777 | 26,632 |
| | 3,748,358 | 4,741,149 |
| **Non-current assets** | | |
| Investments in subsidiaries | 652,360 | - |
| Exploration and evaluation | 370,444 | 1,456,914 |
| Other non-current assets | 2,750,780 | 30,000 |
| | 3,773,584 | 1,486,914 |
| **Total assets** | 7,521,942 | 6,228,063 |
| **Current liabilities** | | |
| Trade and other payables | 50,517 | 228,735 |
| Employee benefits | - | 3,790 |
| Other | 31,367 | - |
| | 81,884 | 232,525 |
| **Non-current liabilities** | | |
| Borrowings | 668,442 | - |
| Employee benefits | - | 171 |
| Other | 444 | - |
| | 668,886 | 171 |
| **Total liabilities** | 750,770 | 232,696 |
| **Net assets** | 6,771,172 | 5,995,367 |
| **Equity** | | |
| Issued capital | 9,246,209 | 8,381,747 |
| Reserves | 326,466 | 240,362 |
| Accumulated losses | (2,801,503) | (2,626,742) |
| **Total equity** | 6,771,172 | 5,995,367 |

## Note 24. Events after the reporting period

On 25 June 2018 the company announced that it executed a binding agreement to acquire 100% of the Cootamundra Cobalt-Nickel Project in Central Western NSW from private company Cobalt Magnetic Pty Ltd.

On 24 August 2018 the company subsequently announced that it formally agreed to terminate its binding offer, and as a result a termination deed was executed and the acquisition will not be proceeding.

No other matter or circumstance has arisen since 30 June 2018 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 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Loss after income tax expense for the year | (607,431) | (852,401) |
| Adjustments for: | | |
| Share-based payments | 116,144 | 28,672 |
| Foreign exchange differences | - | 1,065 |
| 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 | 78,394 | (88,237) |
| Decrease/(increase) in prepayments | (1,143) | 20,367 |
| Increase/(decrease) in trade and other payables | 4,267 | (93,430) |
| Increase in employee benefits | 6,591 | 3,961 |
| Net cash used in operating activities | (403,178) | (879,429) |

## Note 26. Earnings per share

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Loss after income tax attributable to the owners of E2 Metals Limited | (607,431) | (852,401) |
| | Cents | Cents |
| Basic earnings/(loss) per share | (1.00) | (1.89) |
| Diluted earnings/(loss) per share | (1.00) | (1.89) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 60,707,938 | 45,084,008 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 60,707,938 | 45,084,008 |

*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.

*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.

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. As at 30 June 2018 there were 11,626,421 potential ordinary shares not considered dilutive.

## Note 27. Share-based payments

### Options

During the prior 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.

There were no options issued in the current financial year.

Set out below are summaries of options granted under the plan:

2018

| 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 |

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 |

There no options granted during the current financial year.

For the options granted during the prior 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:

2018

| 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 | $0.155 | 2,250,000 | - | - | - | 2,250,000 |
| | | | 2,250,000 | - | - | - | 2,250,000 |

## Note 27. Share-based payments (continued)

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 |
|---|---|---|---|---|---|---|---|
| 08/06/2016 | 30/06/2017 | $0.002 | 500,000 | - | - | (500,000) | - |
| 08/06/2016 | 30/06/2017 | $0.007 | 1,000,000 | | | (1,000,000) | - |
| 19/04/2017 | 19/04/2020 | $0.155 | - | 2,250,000 | - | - | 2,250,000 |
| | | | 1,500,000 | 2,250,000 | - | (1,500,000) | 2,250,000 |

At 30 June 2018, none of the performance rights had met the performance hurdles, and therefore none had vested.

There were no performance rights granted during the current financial year.

For the performance rights granted during the prior 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 | - | 100% | - | $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 2018 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

27 September 2018

William Buck

# 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 2018, 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 2018 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**
Level 20, 181 William Street
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**<br>**Refer also to notes 1, 2, 3 and 9** | **How our audit addressed it** |
| The Consolidated Entity has incurred exploration and evaluation costs for exploration projects in Australia and New Zealand over a number of years.<br><br>The Consolidated Entity holds the right to explore and evaluate those projects through tenement and licence agreements.<br><br>There is a risk that the Consolidated Entity may lose its right to further explore and evaluate those areas of interest and therefore amounts capitalised to the statement of financial position from the current and historical periods be no longer recoverable. | Our audit procedures included:<br><br>- Understanding and vouching the underlying contractual entitlement to explore and evaluate each area of interest, including an evaluation of the requirement to renew that tenement at its expiry;<br>- Examining project spend per each area of interest and comparing this spend to the minimum expenditure requirements set out in the underlying tenement expenditure plan;<br>- Examining project spend to each area of interest to ensure that it is directly attributable to that area of interest; and<br>- From a overall perspective, comparing the market capitalisation of the Consolidated Entity to the net carrying value of its assets on the statement of financial position to identify any other additional indicators of impairment.<br><br>We assessed the adequacy of the Consolidated Entity's disclosures in respect of exploration and evaluation assets. |

## 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 2018, 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.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

# Report on the Remuneration Report

## Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of E2 Metals Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001.*

## 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

**N. S. Benbow**
Director

Melbourne, 27 September 2018

E2 Metals

The shareholder information set out below was applicable as at 26 September 2018.

## 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 | 3,532 | - | - |
| 1,001 to 5,000 | 24 | 64 | - |
| 5,001 to 10,000 | 303 | 17 | - |
| 10,001 to 100,000 | 145 | 74 | - |
| 100,001 and over | 76 | 13 | 1 |
| | 4,080 | 168 | 1 |
| Holding less than a marketable parcel | 3,788 | - | - |

## 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) | 8,200,000 | 13.51 |
| Mr James Henderson Allen | 2,500,000 | 4.12 |
| Lido Trading Limited | 2,500,000 | 4.12 |
| Capri Trading | 2,475,000 | 4.08 |
| Capricorn Investment Partners (Nominees) Pty Ltd | 2,275,000 | 3.75 |
| Tykune Pty Ltd | 1,710,000 | 2.82 |
| RL & JE Investments Pty Ltd (RW Developments Super) | 1,500,000 | 2.47 |
| Mrs Dominique Skye Stewart (Donohue Family) | 1,285,000 | 2.12 |
| Bond Street Custodians Limited | 1,136,661 | 1.87 |
| Mr Mark Ronald Penny | 1,100,000 | 1.81 |
| Commodity House Pty Ltd | 1,035,000 | 1.70 |
| GPST Pty Ltd (E&S Harken Super Fund A/C) | 1,000,000 | 1.65 |
| Markota Pty Ltd (Separovic Super Fund A/C) | 980,908 | 1.62 |
| Starfair Pty Ltd | 957,172 | 1.58 |
| Auto Management Pty Ltd (The Branchi Family A/C) | 891,967 | 1.47 |
| Mr Harry Meares Hearn & Mrs Patricia Margaret Hearn | 600,000 | 0.99 |
| Foster Stockbroking Nominees Pty Ltd | 500,000 | 0.82 |
| My Three Sons Investment Pty Ltd | 500,000 | 0.82 |
| Falkenbridge Pty Ltd | 500,000 | 0.82 |
| Belair Australia Pty Ltd | 500,000 | 0.82 |
| | 32,146,708 | 52.96 |

*Unquoted equity securities*

There are no unquoted equity securities.

### Substantial holders
There are no substantial holders in the Company.

### 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 | EL8654 | 100.00 |
| Hauraki Gold, New Zealand | EPM51767 | 100.00 |