

E2 Metals Limited

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ASX Code: E2M

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Directors / Secretary

Melanie Leydin
Chair & Company Secretary

Todd Williams
Managing Director

Alastair Morrison
Non-Executive Director

Michael Sapountzis
Company Secretary

Issued Capital

76.4M fully paid ordinary shares

March 2019 Quarterly Report

18 April 2019

Highlights

- First systematic sampling at the Conserrat Project identifies mineralised epithermal veins with up to 7.46 gpt gold and 7510 gpt silver at Veta Blanca Prospect
- Concurrent soil sampling defined coherent gold and silver anomalies on the same geological trend hosting AngloGold Ashanti's world-class Cerro Vanguardia gold and silver mine
- Follow up Gradient Array Induced Polarisation geophysical survey confirms potential for large partially concealed epithermal vein field
- Drilling commences at Sierra Morena project, some 30 kilometres from Pan American Silver's COSE development project. Multiple outcropping vein targets to be tested by an initial 2000m Reverse Circulation drill program

E2 Metals Limited (**E2 Metals** or **Company**) is pleased to present the quarterly report for the period ending 31 March 2019.

The Company has made significant advancements on its 80% owned gold and silver projects in the Santa Cruz province of Argentina (Figure 1) where it is exploring for epithermal vein deposits in the prolific Deseado Massif geological province.

The corporate objectives for the March 2019 quarter were:

- Advance targeting at the highly prospective Conserrat project, and
- Commence an inaugural drill program at the Sierra Morena project.

Santa Cruz Project Argentina

E2 Metals holds an 80% interest in 90,000 hectares of exploration titles in the Santa Cruz province of Argentina prospective for world class gold and silver epithermal vein deposits like Goldcorp's Cerro Negro and AngloGold Ashanti's Cerro Vanguardia deposits.

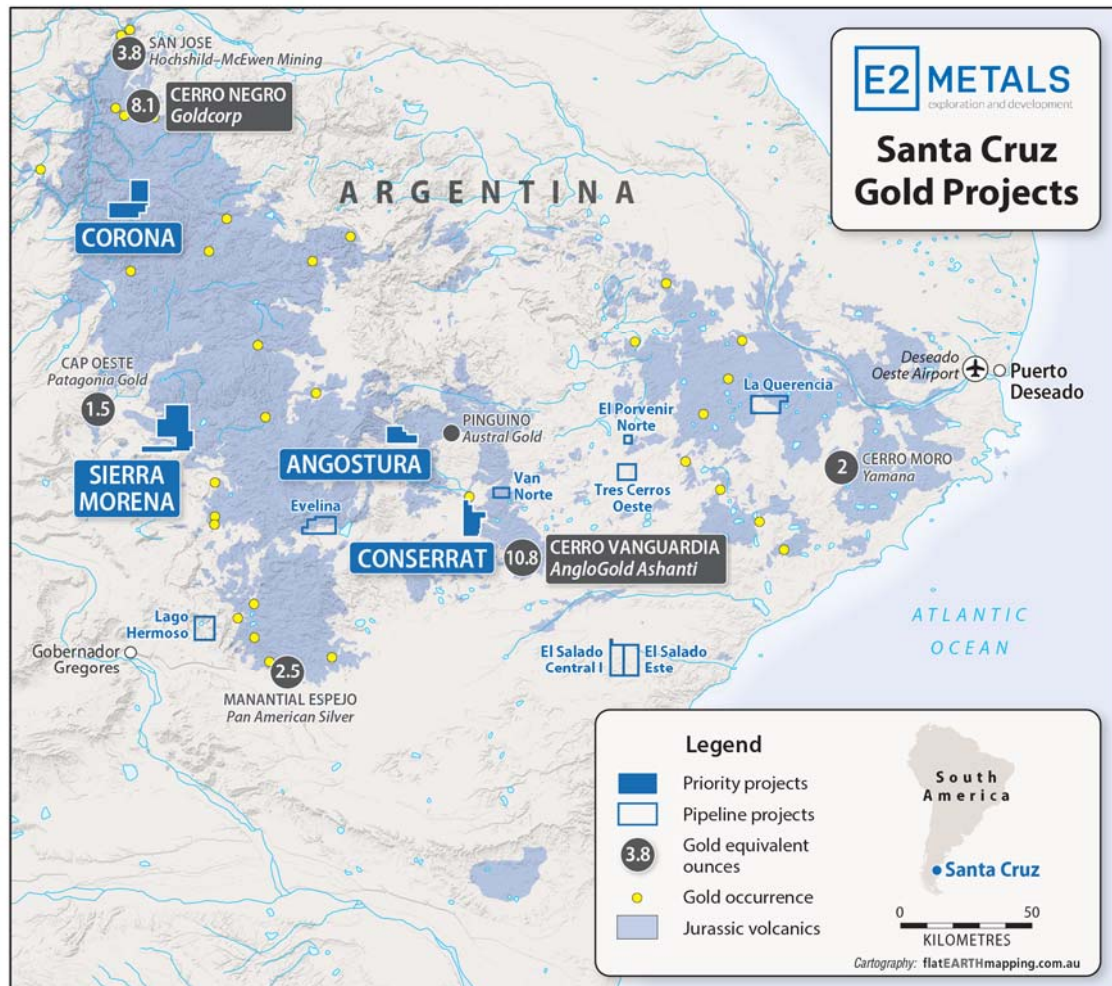


Figure 1: Location of E2 Metals Santa Cruz Projects

The **Conserratt Project** (Figure 2) is a single title of 8,696 hectares located adjacent to the Cerro Vanguardia mine located some 20 kilometres to the south east.

The Veta Blanca and Emilia trend hosts outcropping high grade epithermal veins that are located on the faulted contact between sediments of the Roca Blanca Formation and the Bajo Pobre Andesite, which hosts many mineralised veins in the district (i.e. Huevos Verdes vein, San Jose; Las Marianas veins, Cerro Negro). These prospective rocks extend several kilometres to the south to the Ro and Florencia prospects where additional mineralised outcropping veins have been identified.

Conserratt is a unique exploration opportunity in the context of the Santa Cruz district in that although the project has clear potential it has not been systematically explored or drilled. The projects were previously held by IAMGOLD in the early 2000's who did little work prior to the company exiting Argentina. The titles were since held privately and remained unworked for a decade, effectively missing the last exploration boom in Santa Cruz.

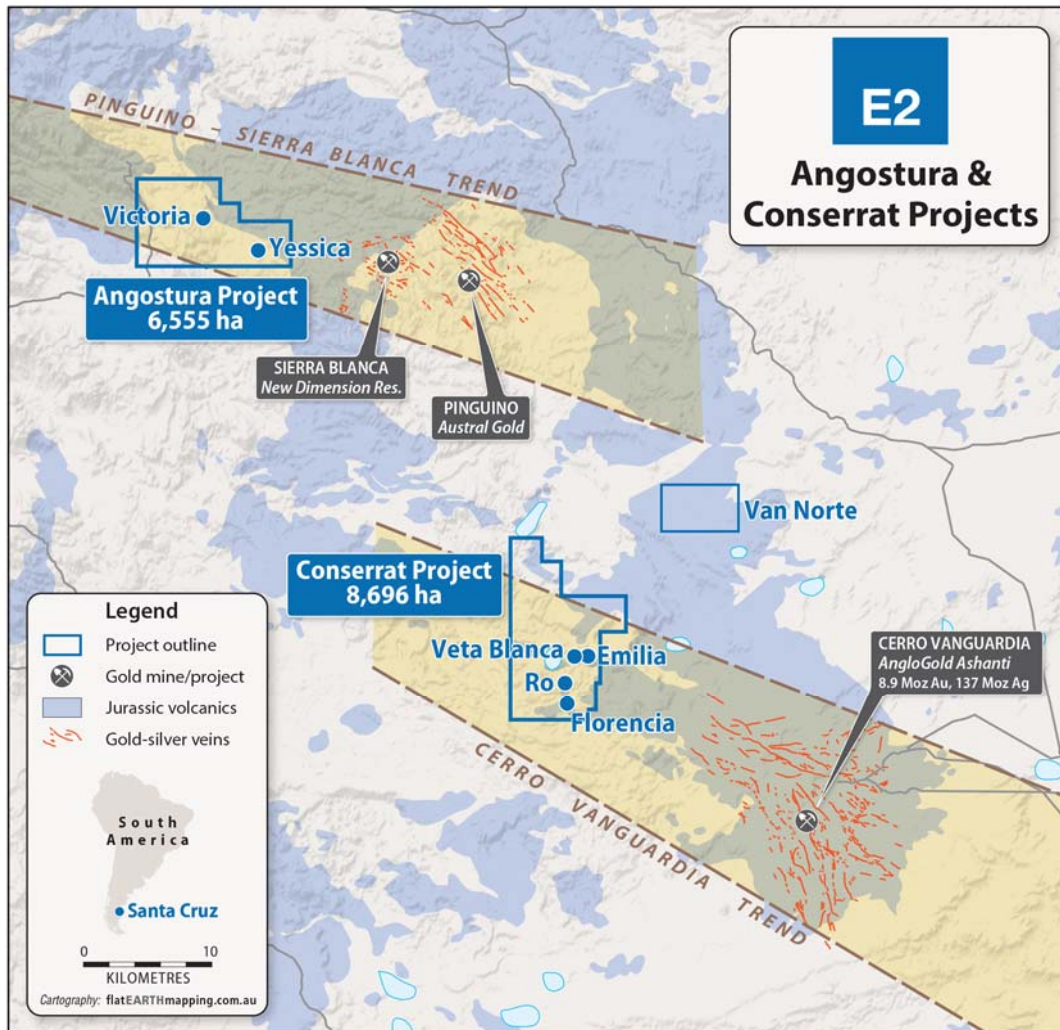


Figure 2: Location of the Conserrat Project and the Cerro Vanguardia mine

The first systematic exploration at Conserrat by E2 Metals (summarised in Figures 3 & 4) comprised detailed rock chip and surface coarse fraction soil (LAG) geochemical surveys at four prospects located in the central and southern project areas where multiple trends of outcropping epithermal veins were identified within the prospective Chon Aike Jurassic volcanic rocks.

The rock chip sampling yielded high grade results of up to 7.46 gpt gold and 7510 gpt silver at the Veta Blanca prospect confirming the project's potential to host economic grades of gold and silver mineralisation (see ASX Release 7th February 2019 "High-grade rock chip samples at Veta Blanca prospect").

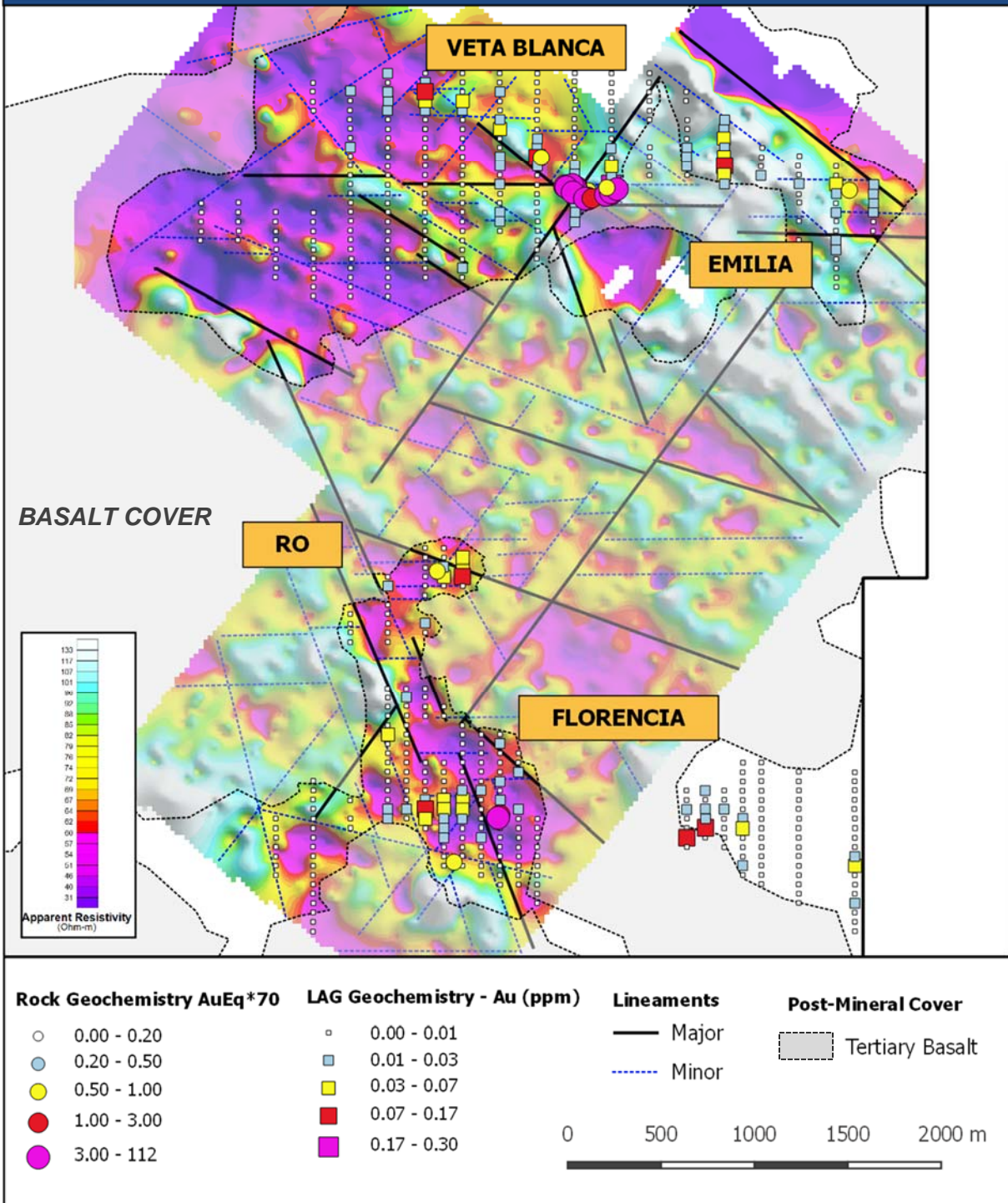


Figure 3: Resistivity image and known prospects, Conserrat Project

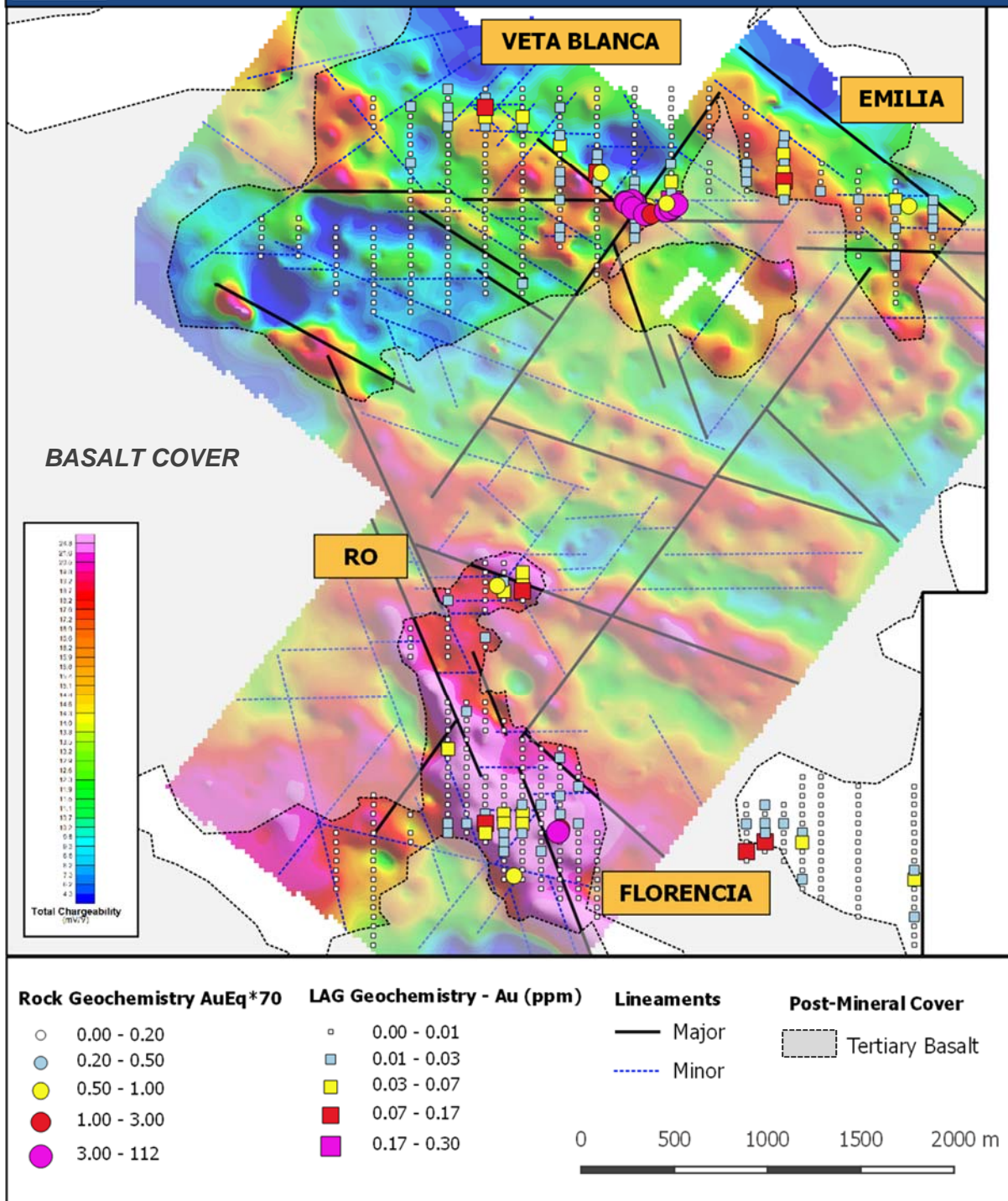


Figure 4: Chargeability image and known prospects, Conserrat Project

This potential was reinforced by the results from the regional LAG sampling that showed the Veta Blanca prospect and the host structure to be associated with an over 2-kilometre-long coherent anomaly with up to 305 ppb gold, 10.1 gpt silver in addition to high arsenic and antimony. Additional first-order anomalies were also defined at the Ro (up to 165 ppb gold) and Florencia (up to 112 ppb gold) prospects spaced two and three kilometres to the south respectively (see ASX Release 27th February 2019 “Surface LAG geochemistry expands Veta Blanca targets”).

This was followed by a project-scale gradient array induced polarisation (GAIP) survey capable of mapping the subsurface extensions of known veins under shallow cover. The results show that known epithermal veins and geochemical anomalies are associated with resistive and chargeable trends that extend far beyond what can be observed in outcrop (see ASX Release 27th March 2019 “Geophysics identifies vein targets at the Conserrat project”). They also identified multiple target trends in areas of shallow cover where the prospective geology is concealed, and geochemical prospecting is ineffective. An Induced Polarisation pole-dipole survey aimed at refining these gradient array targets commenced shortly after with results anticipated early next quarter.

The **Sierra Morena Project** (Figure 5) comprises two titles totalling 19,676 hectares and is located some 30 kilometres east of Pan American Silver’s COSE development project and Patagonia Gold’s Cap Oeste heap leach mine that is currently on care and maintenance.

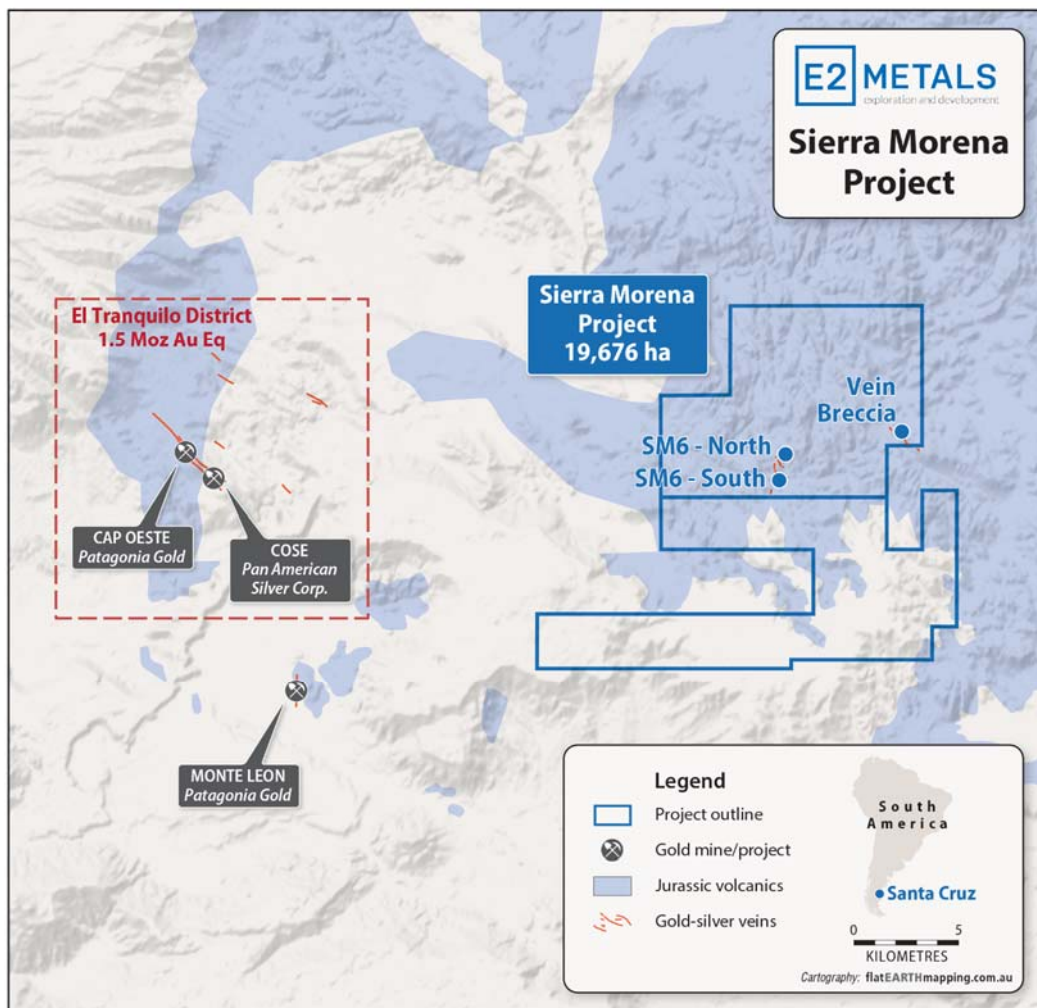


Figure 5: Location of the Sierra Morena Project and prospects



Figure 6: Sierra Morena Project, exploration drilling at the SM6 Eastern Vein prospect



Figure 7: Sierra Morena Project, estancia La Cañada exploration camp

The project was explored by De Grey Mining (ASX: DEG) during the period 2011 to 2013 who conducted detailed surface geochemistry and outlined several kilometres of vein 'trends' which include a high-grade zone at the SM6 prospect with samples up to 3240 gpt Ag and 23.3 gpt Au¹.

The veins were drill tested by De Grey Mining back in 2013 prior to them exiting Argentina, but the program was unsuccessful and failed to intercept the veins in all but one drill hole that yielded a downhole intercept of 1m at 5.5 gpt gold and 67 gpt silver from the Western Vein. An independent assessment of the historical drilling has shown that most of the holes were drilled parallel to the interpreted dip of the veins and therefore the program was ineffective.

The Company recently commenced its inaugural drill program at the Sierra Morena project, just two months after finalising the acquisition of the Santa Cruz portfolio (see ASX Release 25th March 2019 "Drilling commences at Sierra Morena").

The drill program will comprise approximately 20 Reverse Circulation drill holes totalling 2000m and will test priority targets at the Acid Sulphate and SM6 prospects.

The program will seek to test 500m cumulative strike of outcropping gold and silver veins where historical sampling has yielded local high grades of up to 23.3 gpt gold and 3240 gpt silver.

The drill program is progressing towards completion and first results are expected early Q2.

Mount Hope Project, Cobar Superbasin

The Cobar Superbasin located in New South Wales is one of the pre-eminent polymetallic districts in Australia that is prospective for high grade 'Cobar Style' lead, zinc, copper and precious metal deposits. E2 Metals holds a 100% interest in a strategic 273 square kilometre land package over the historical Mount Hope copper gold district located some 30 kilometres southeast of the Peel Mining (ASX: PEX) recent Southern Nights discovery. The Company is evaluating options to unlock value at the Cobar project and is reviewing the historical dataset to generate regional targets to formulate potential future work programs.

Corporate

The Company held a General Meeting on 5th February 2019 to vote on the issue of the Consideration Shares to the vendors of Circum Pacific Pty Ltd for the acquisition of 80% of the Santa Cruz and Rio Negro gold and silver portfolios in Argentina. All resolutions were passed finalising the acquisition.

During the quarter the Company welcomed Mr Alastair Morrison to the Board as non-executive director and farewellled Mr. Justin Klintberg as non-executive director. Mr. Morrison is a geologist with more than 30 years' experience in mineral exploration and investment.

At quarter end, 7,876,421 Unlisted Loyalty Options exercisable at 20 cents expired on 4 April 2019. Prior to expiry, 682,490 Loyalty Options were exercised increasing the Company's cash balance by \$136,498. After the expiry the total number of Options outstanding is 2,500,000.

At the end of the quarter the Company had \$2.5M in cash and cash equivalents.

¹ De Grey ASX Announcement, 4 December 2012: Sierra Morena Sur Sampling

Upcoming Plans for June Quarter 2019

Over the next quarter the Company will aim to:

- Complete the planned Induced Polarisation pole-dipole geophysical survey at Conserrat to refine GAIP geophysical targets in preparation for drilling
- Submit an Environmental Impact Assessment (EIA) and program of works for drilling at the Conserrat Project
- Complete the recently commenced RC drilling program at Sierra Morena, interpret and report drill results once available

For enquiries please contact:

Todd Williams
Managing Director
Ph: + 61 3 9692 7222

E2 Metals Tenement Holding Summary

Mining Tenement	Location	Beneficial Percentage Held	Interest acquired/farmed-in during the quarter	Interest disposed/farmed-out during the quarter
EL6827	Mt Hope	100%	-	-
EL8056	Main Range	100%	-	-
EL8290	Broken Range	100%	-	-
EL8654	Mt Hope	100%	-	-
423.826/MS/09	Evelina	80%	80%	-
423.827/MS/09	Lago Hermoso	80%	80%	-
423.828/MS/09	El Salado Este	80%	80%	-
424.985/MS/10	El Salado Central I	80%	80%	-
421.672/MS/12	El Porvenir Norte	80%	80%	-
422.990/MS/12	Tres Cerros Oeste	80%	80%	-
406.735/MS/08	Querencia	80%	80%	-
430.269/MS/14	Sierra Morena I	80%	80%	-
430.270/MS/14	Sierra Morena II	80%	80%	-
437.502/BVG/17	Cañadón la Angostura	80%	80%	-
437.503/BVG/17	Van Norte	80%	80%	-
437.470/BVG/17	Corona Norte	80%	80%	-
437.472/BVG/17	Corona Sur	80%	80%	-
437.471/BVG/17	Conserrat	80%	80%	-
32.053-M-2007	Cerros Blancos	80%	80%	-
32.055-M-2007	Marinao	80%	80%	-
32.056-M-2007	Arroyo de la Ventana	80%	80%	-
32.057-M-2007	Laguna Redonda	80%	80%	-
32.057-M-2007	Paredes	80%	80%	-

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

E2 Metals Limited

ABN

34 116 865 546

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(450)	(665)
(b) development	-	-
(c) production	-	-
(d) staff costs	(78)	(234)
(e) administration and corporate costs	(73)	(262)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	47
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 GST refund	-	-
1.9 Other (provide details if material)	-	-
1.10 Net cash from / (used in) operating activities	(589)	(1,114)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	(64)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Cash acquired from the acquisition transaction	7	7
2.6 Net cash from / (used in) investing activities	7	(57)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	1	1
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (interest on borrowings)	-	-
3.10 Net cash from / (used in) financing activities	1	1

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,115	3,704
4.2 Net cash from / (used in) operating activities (item 1.10 above)	(589)	(1,114)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	7	(57)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1	1

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(14)	(14)
4.6	Cash and cash equivalents at end of period	2,520	2,520

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,520	3,115
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (funds held on trust)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,520	3,115

6. Payments to directors of the entity and their associates

- | | Current quarter
\$A'000 |
|-----|------------------------------------|
| 6.1 | 84 |
| 6.2 | - |
| 6.3 | |

- Payment of \$67K for Directors' fees during the quarter
- Payment of \$17K to Leydin Freyer Corporate, an associated entity of Ms Melanie Leydin, for CFO and company secretarial fees during the December 2018 quarter

7. Payments to related entities of the entity and their associates

- | | Current quarter
\$A'000 |
|-----|------------------------------------|
| 7.1 | - |
| 7.2 | - |
| 7.3 | |

-

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
-		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	732
9.2 Development	-
9.3 Production	-
9.4 Staff costs	91
9.5 Administration and corporate costs	84
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	907

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Evelina	423.826/MS/09, Santa Cruz, Argentina	Exploration permit	0%	80%
10.2 Lago Hermoso	423.827/MS/09, Santa Cruz, Argentina	Exploration permit	0%	80%
10.3 El Salado Este	423.828/MS/09, Santa Cruz, Argentina	Exploration permit	0%	80%
10.4 El Salado Central I	424.985/MS/10, Santa Cruz, Argentina	Exploration permit	0%	80%
10.5 El Porvenir Norte	421.672/MS/12, Santa Cruz, Argentina	Exploration permit	0%	80%
10.6 Tre Cerro Oeste	422.990/MS/12, Santa Cruz, Argentina	Exploration permit	0%	80%
10.7 Querencia	406.735/MS/04, Santa Cruz, Argentina	Exploration permit	0%	80%
10.8 Sierra Morena I	430.269/MS/14, Santa Cruz, Argentina	Exploration permit	0%	80%
10.9 Sierra Morena II	430.270/MS/14, Santa Cruz, Argentina	Exploration permit	0%	80%
10.10 Candalon La Angostura	437.502/BVG/17, Santa Cruz, Argentina	Exploration permit	0%	80%

Appendix 5B

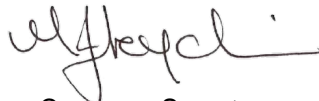
Mining exploration entity and oil and gas exploration entity quarterly report

10.11	Van Norte	437.503/BVG/17, Santa Cruz, Argentina		Exploration permit	0%	80%
10.12	Corona Norte	437.470/BVG/17, Santa Cruz, Argentina		Exploration permit	0%	80%
10.13	Corona Sur	437.472/BVG/17, Santa Cruz, Argentina		Exploration permit	0%	80%
10.14	Conserrat	437.471/BVG/17, Santa Cruz, Argentina		Exploration permit	0%	80%
10.15	Cerros Blancos	32.053/M/2007, Rio Negro, Argentina	Rio	Exploration permit	0%	80%
10.16	Marinao	32.055/M/2007 Rio Negro, Argentina	Rio	Exploration permit	0%	80%
10.17	Arroyo de la Ventana	32.056/M/2001 Rio Negro, Argentina	Rio	Exploration permit	0%	80%
10.18	Laguna Redonda	32.057/M/2007 Rio Negro, Argentina	Rio	Exploration permit	0%	80%
10.19	Paredes	42.056/M/2017 Rio Negro, Argentina	Rio	Exploration permit	0%	80%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 18 April 2019

Company Secretary

Print name:

Melanie Leydin

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.