

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

Issued Capital

91.9M fully paid ordinary shares

December 2019 Quarterly Report

24 January 2020

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

Highlights

- Activities focussed at Conserrat, where maiden trench and scout RC drill programs were undertaken. Work during the December quarter included:
 - 52 trenches for 4,618m
 - 23 drill holes for 1,910m
 - A 14.5-line km regional CSAMT survey and a 12.9-line km Induced Polarisation (IP) survey to infill existing targets
- Trenching of soil anomalies has defined two new mineralised trends at Ro and Florencia prospects. Reported gold and silver assays include:
 - **COT-33** (Ro): 32.7m at 0.58gpt Au, 24gpt Ag
 - **COT-32** (Florencia): 43m at 0.5gpt Au, 2gpt Ag
- Scout RC drilling confirmed broad zones of gold and silver mineralisation at both prospects with grades increasing at depth:
 - **CORC-19** (Ro) 33m at 0.28gpt Au, 112gpt Ag from 27m *including* **1m at 0.42gpt Au, 526gpt Ag from 34m and 5m at 0.58gpt Au, 441gpt Ag from 48m**
 - **CORC-11** (Florencia) 46m at 0.68gpt Au, 36gpt Ag from 9m *including* **1m at 0.68gpt Au, 798gpt Ag**
- The Scout RC drill program recommenced during the first week of January and is now complete. The January program included an additional 10 holes for 931m, with results pending.
- Regional exploration commenced at the Corona property located 30km south of Newmont's Cerro Negro mine. Work completed comprised a soil (LAG) survey totalling 333 samples and results are pending.
- The company held \$2.3M cash as of 31 December 2019.

Santa Cruz Projects, Argentina

E2 Metals continues to be focused on its Santa Cruz projects in Argentina (Figure 1) where it holds an 80% interest in a 90,000-hectare land package prospective for multi-million-ounce gold and silver epithermal vein deposits.

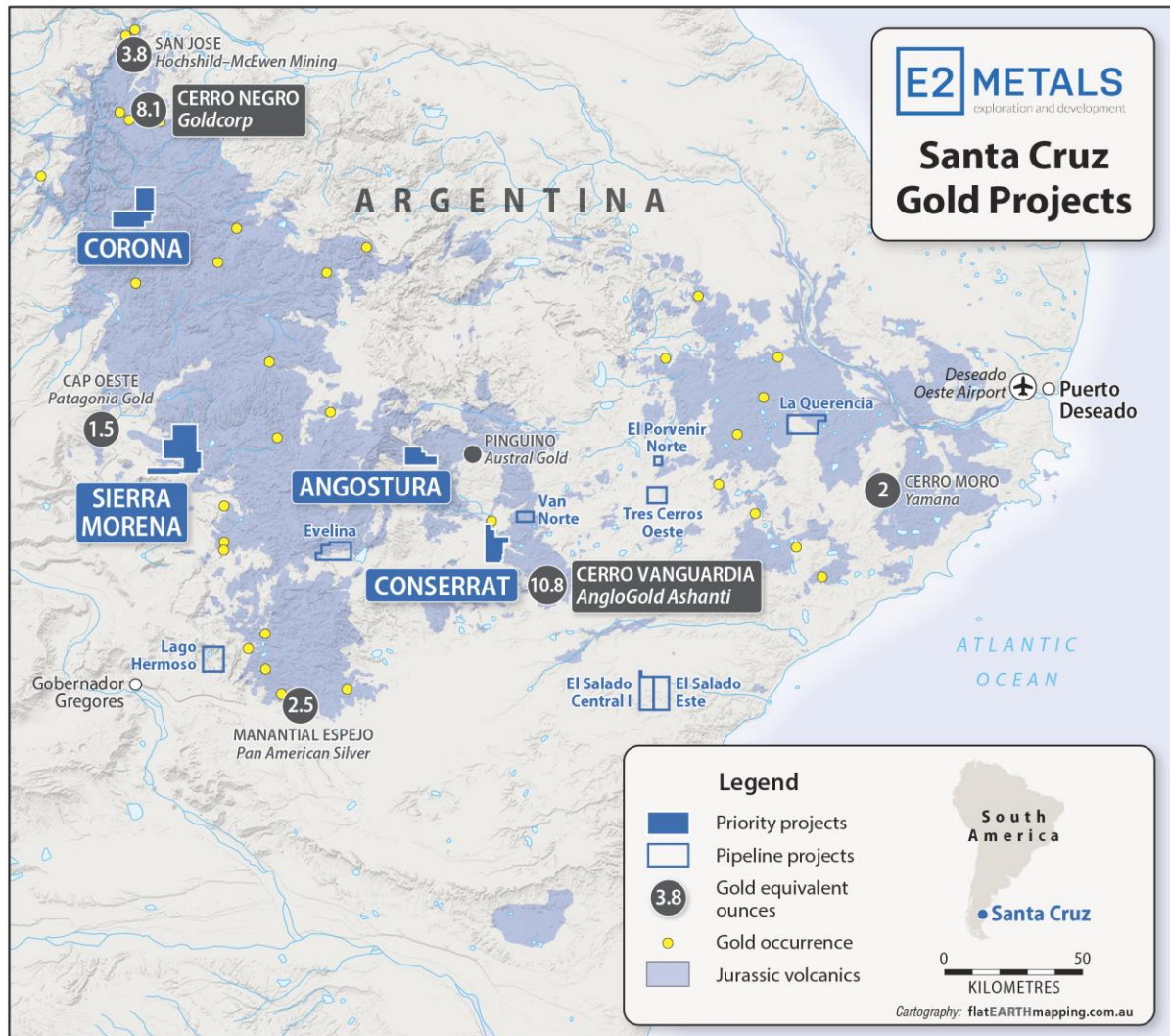


Figure 1: Location of Santa Cruz projects

Exploration objectives for the Santa Cruz projects during the December reporting period were:

Conserrat – target evaluation

- Ongoing mapping and sampling of outcropping veins and structures
- Regional trench program to expose blind veins and structures
- Scout RC drilling to test priority vein and geophysical (IP) targets

Corona – target generation

- Regional soil (LAG) survey over the Corona Norte sinter target

Conserrat Project

The **Conserrat** Project (Figure 2) comprises a single title of 8,696 hectares located 130km northwest of Puerto San Julian and some 30km west-northwest of AngloGold Ashanti's world-class Cerro Vanguardia mine. The project is centred on the continuation of same Jurassic volcanic rocks and structures that host the largest epithermal vein field in the Santa Cruz province with historical and current resources estimated to be 8.9Moz gold and 137Moz silver¹.

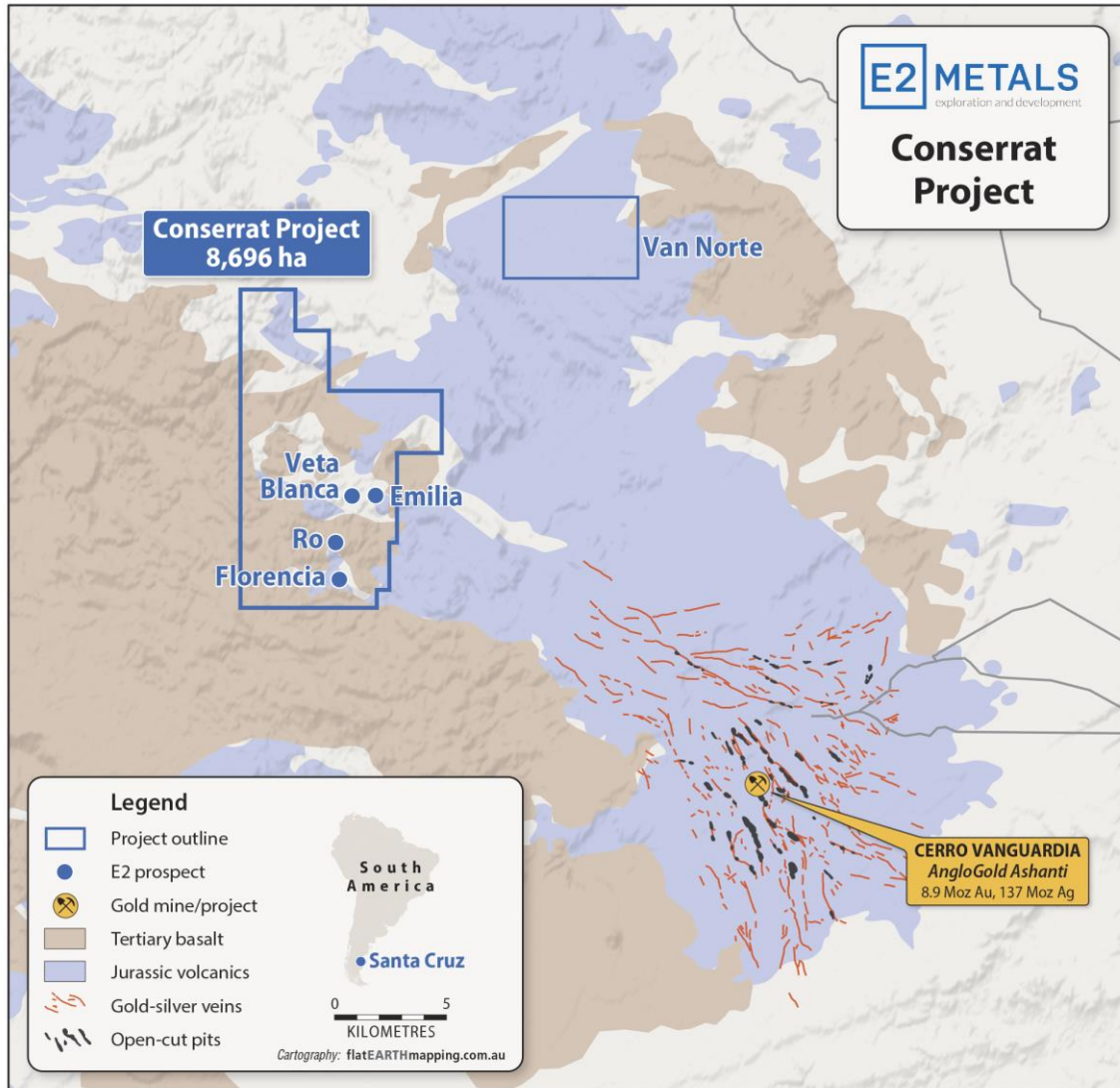


Figure 2: Conserrat Project

The Company made significant advances during the December quarter. Trenching has defined two new mineralised gold and silver trends at **Ro** and **Florenxia**. The trends are hosted in separate NW structures spaced 1.2km apart and extend the known limits of the Conserrat vein system by 3.5km south of **Veta Blanca**.

Follow-up scout drilling at **Ro** returned wide zones of high-grade silver and confirmed Conserrat to be a new greenfields discovery. Initial drill results at **Florenxia** and **Veta Blanca** are encouraging and drilling recommenced in January with the view to identifying higher grade zones within both prospects.

¹ Mirasol Resources Ltd Corporate Presentation, September 2018

Summary of Conserrat Trench Results

On 22 August 2019, E2 commenced a regional trench program at Conserrat to systematically test priority gold and silver soil anomalies and vein targets. To date 52 trenches for 4,618m have been completed at the **Veta Blanca, Melisa, Ro and Florencia** prospects, in addition to multiple regional targets. Trench results for Veta Blanca and Melisa are summarised in prior announcements (see *ASX announcement, 14 October 2019, Conserrat Project Exploration Update*) and the September 2019 quarterly activities report.

Ro and Florencia Prospects

During the December 2019 reporting period, an additional 14 trenches for 1,085m were completed in the southern project area. This work led to the **discovery of two new mineralised trends at Ro and Florencia** spaced 1.2km apart (see *ASX announcement, 31 October 2019, New Mineralised Trends Confirmed at Ro and Florencia and 2 December 2019, Conserrat Project Exploration Update*).

- At **Ro**, surface mineralisation has been defined in three trenches spaced 50m apart. Mineralisation is hosted in Chon Aike volcanoclastic rocks and is associated with broad zones (up to 30m wide true width) of pyrite and illite clay alteration overprinted by silicified structures and veinlets. Key mineralised intervals include:

COT-33 • 32.7m at 0.58gpt Au, 24gpt Ag
 including 15m at 0.83gpt Au, 49gpt Ag
 and 2m at 2.5gpt Au, 136gpt Ag

COT-46 • 14.5m at 0.98gpt Au, 3.8gpt Ag
 including 4.5m at 1.73gpt Au, 5gpt Ag

COT-09 • 11.3m at 0.53gpt Au, 12gpt Ag
 including 1.1m at 1.6gpt Au, 38gpt Ag

- At **Florencia**, surface mineralisation and anomalism has been defined in five trenches spaced over 500m apart. Mineralisation is similar to Ro and is associated with a zone of disseminated sulphides and veinlets up to 50m wide (true width). Key mineralised intervals include:

COT-32 • 43m at 0.5gpt Au, 2gpt Ag
 including 1m at 3.26gpt Au, 3.9gpt Ag

COT-37 • 25.5m at 0.56gpt Au
 including 2.5m at 1.72gpt Au

COT-10 • 2.5m at 0.45gpt Au, 0.7gpt Ag

- Mineralised structures at **Florencia** and **Ro** are located within a major NW structural corridor associated with an IP chargeability anomaly with dimensions 2km by 1km (see Figure 3).

Other Prospects

Two trenches (**COT-35 and 47**) were completed over an outcropping vein located between Ro and Florencia within a >200ppb silver soil anomaly with dimensions of 180m by 100m. The vein returned an assay interval of 1m at 0.54gpt Au, 22.5gpt Ag indicating a third possible mineralised trend. Further field mapping and sampling is planned for the sector.

Summary of Conserrat Drill Results

On 11 November 2019, the Company commenced a maiden scout RC drill program to follow up priority targets generated from field prospecting, trenching and geophysics. The first phase of drilling was completed prior to Christmas and comprised 23 holes for 1,910m. Hole depths ranged from 46m to 108m. Hole locations and results are summarised in Figures 3a, 3b and 4.

On 23 December 2019, the Company announced the discovery of significant silver mineralisation at **Ro**, in addition to encouraging preliminary gold and silver results for **Florencia** and **Veta Blanca** (see ASX announcement, 23 December 2019, *Scout Drilling Returns High-Grade Silver at Conserrat*).

Ro Prospect

Three holes (**CORC-9, 10, 19**) for a total of 300m were completed at the **Ro** prospect to test a broad zone of gold and silver mineralisation identified in trenches.

All three holes were drilled on a single section 533488E (Figure 4) with the objective to define the dip and orientation of the mineralised veins and host structure. Key results for the first section at Ro include:

- CORC-19**
 - 33m at 0.28gpt Au, 112gpt Ag from 27m
 - *including 1m at 0.42gpt Au, 526gpt Ag from 34m*
 - *and 5m at 0.58gpt Au, 441gpt Ag from 48m*
- CORC-09**
 - 49m at 0.46gpt Au, 17.8gpt Ag from surface
 - *including 1m at 0.68gpt Au, 131gpt Ag from 36m*
- CORC-10**
 - 6m at 20gpt Ag from 14m

Importantly, the step-back hole **CORC-19** shows metal endowment improving at depth, with an apparent sub-horizontal disseminated sulphide system overprinted by at least two structures with high grade silver.

Florencia Prospect

At Florencia, eight holes (**CORC-11 to 18**) for 737m have been reported to date. The initial drilling included three sections, each with two drill holes in a scissor configuration with 100m to 300m between sections to test mineralised trenches COT-32, 37 and 10.

Key intercepts at Florencia include:

- CORC-11**
 - 46m at 0.68gpt Au, 36gpt Ag from 9m
 - *including 1m at 4gpt Au, 114gpt Ag from 47m*
 - *and 1m at 0.68gpt Au and 798gpt Ag from 53m*
- CORC-12**
 - 84m at 0.32gpt Au, 20gpt Ag from surface
 - *including 1m at 0.97gpt Au, 310gpt Ag from 33m*

Mineralisation at Florencia is similar to Ro and hosted in a broad zone of disseminated sulphide (pyrite) overprinted by silica veinlets and silicified structures (Figure 5). This is unique for the province and highlights the potential for near surface and bulk mineable disseminated ore analogous to Round Mountain in Nevada. This is in addition to high-grade veins and 'feeder' structures that have been defined by drilling to date. Mineralisation is open at both prospects and is spatially related to zones of high chargeability in Gradient Array IP images that extend for several kilometres (see Figure 3).

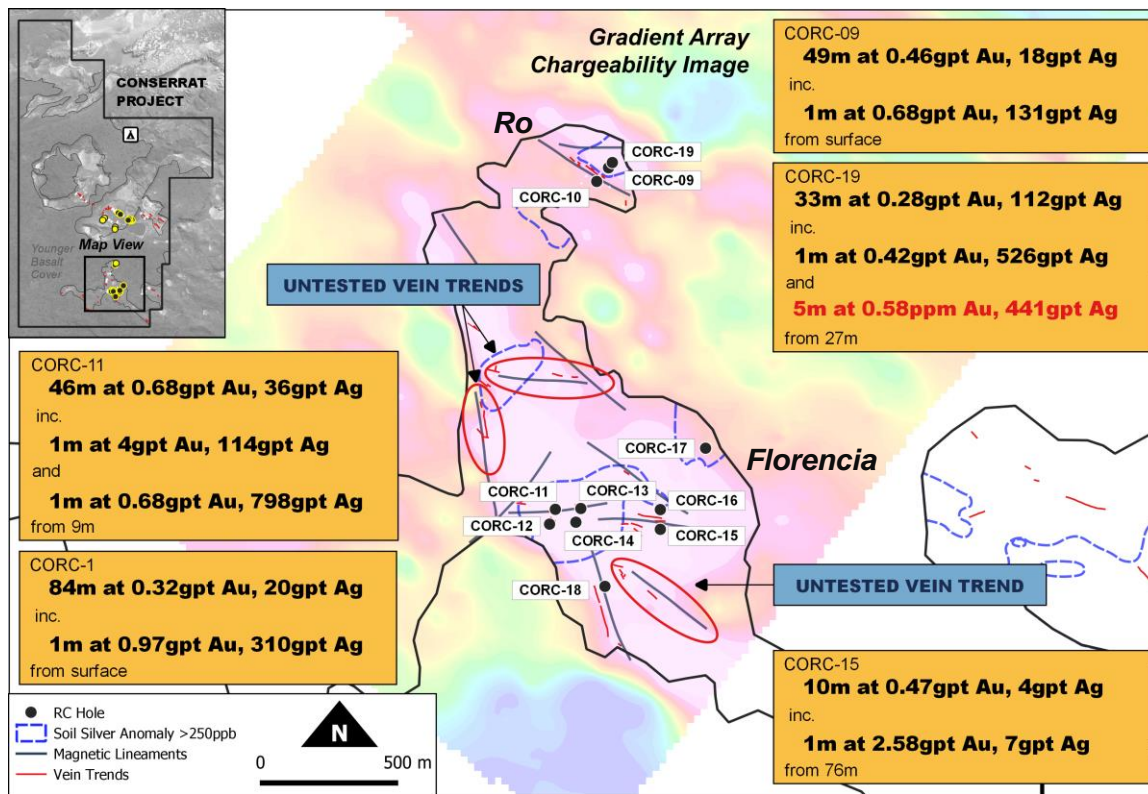


Figure 3a: Map of gradient array chargeability overlain by vein trends and drill holes at the Ro and Florencia Prospects

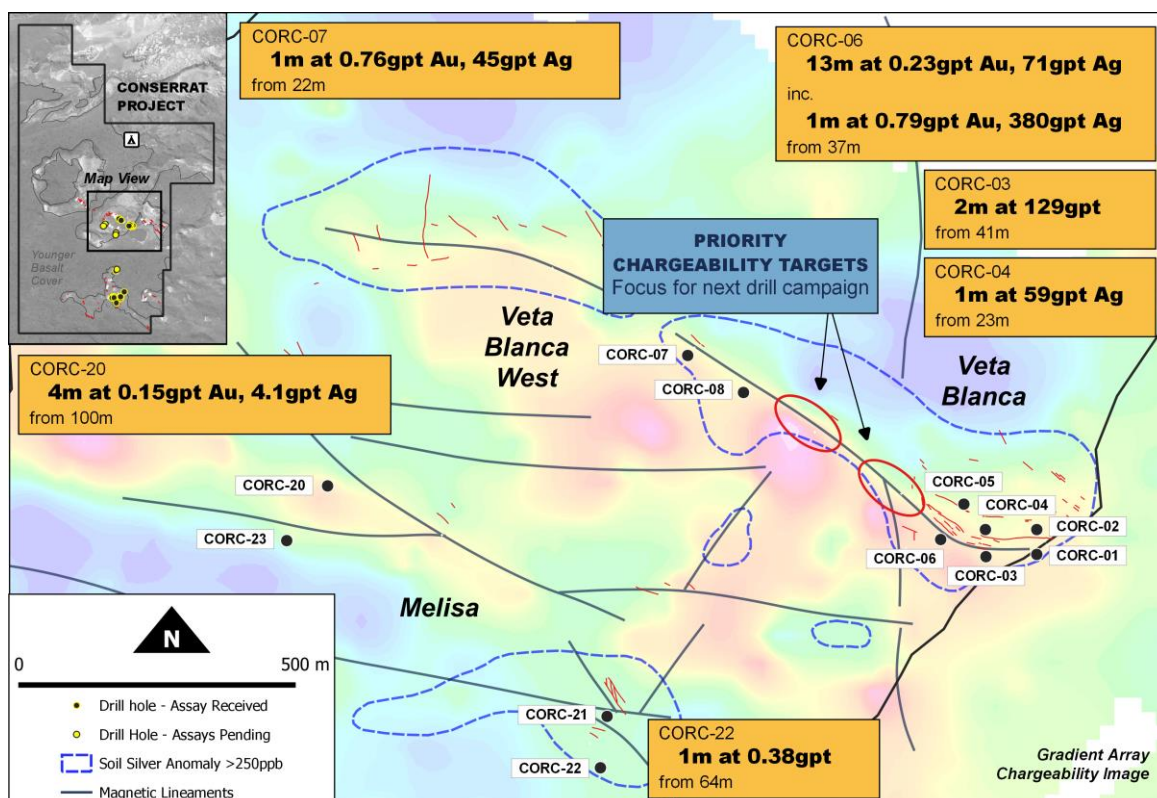


Figure 3b: Map of gradient array chargeability overlain by vein trends and drill holes at the Veta Blanca and Melisa Prospects

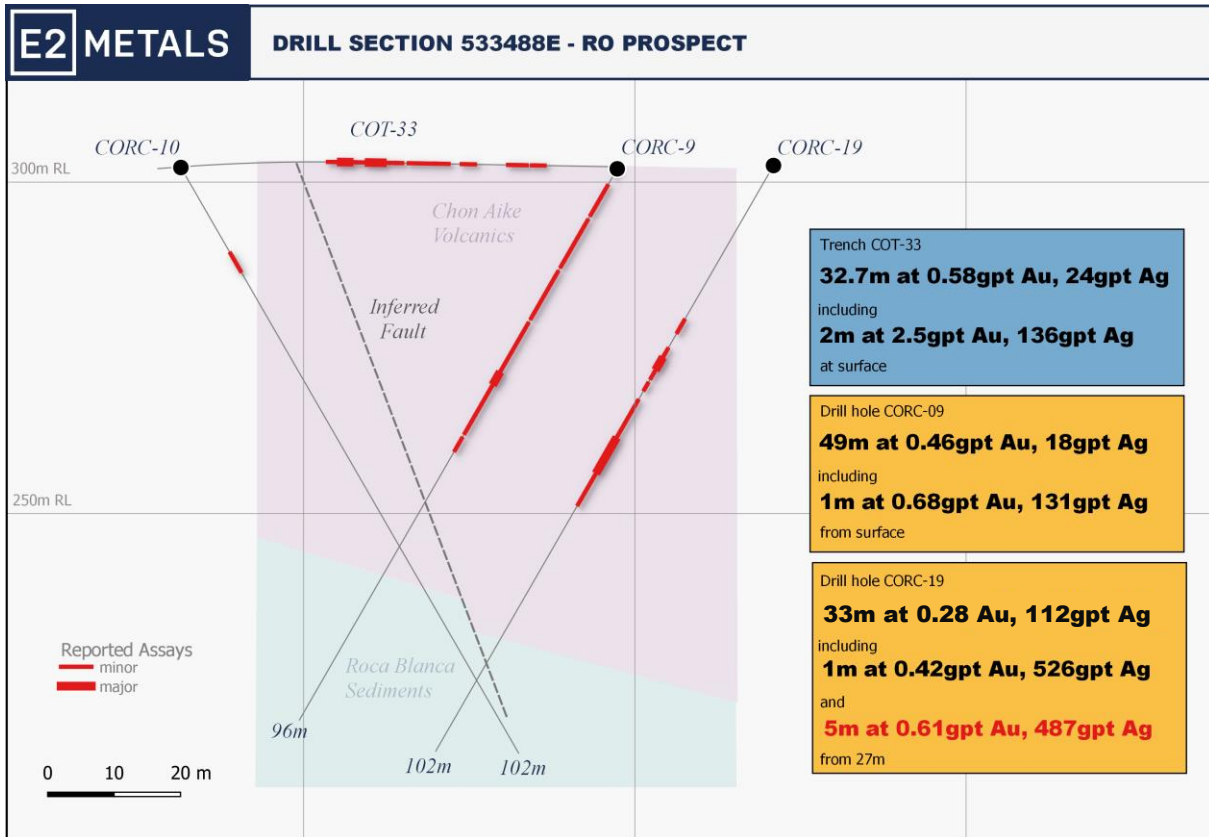


Figure 4: Section 533488 drill hole intercepts – Ro Prospect

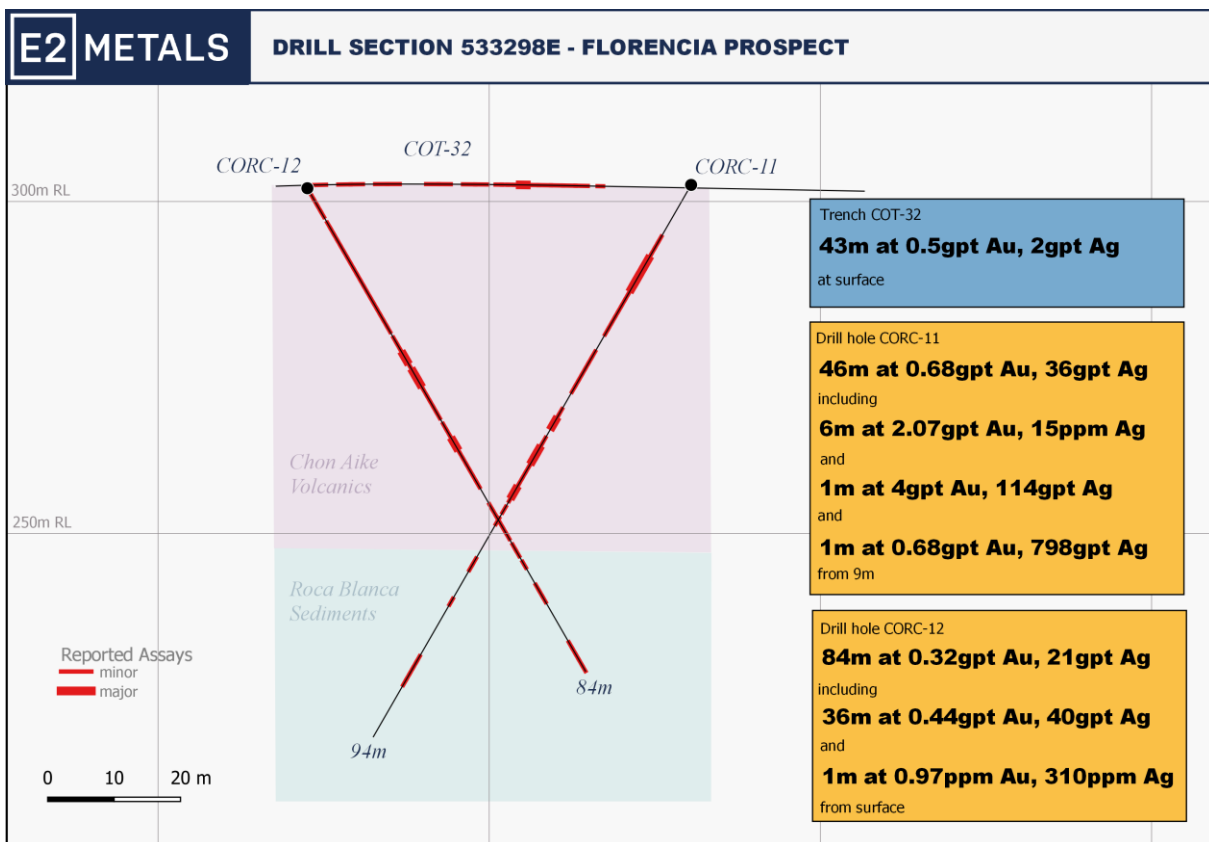


Figure 5: Section 533298E drill hole intercepts – Florencia Prospect

Veta Blanca

At Veta Blanca, the planned drill program was halted due to water issues and only six holes (**CORC-01 to 06**) for 407m could be completed prior to Christmas. This comprised three sets of scissors to test the outcropping gold and silver veins (see *ASX Announcement – 7 February 2019, Significant High-Grade Rock Chip Samples at the Veta Blanca Prospect, Conserrat Project*) over a cumulative strike length of 150m. Mineralisation at Veta Blanca is different to Ro and Florencia and is associated with ‘classic’ epithermal veins with potential for high grades.

The eastern most scissor failed to intercept significant mineralisation and likely defined the eastern limit of the vein trend. Encouragingly, gold and silver are shown to increase to the west in the remaining drill holes. All vein intercepts to date at Veta Blanca are hosted in sediments of the Roca Blanca Formation.

Key intercepts at Veta Blanca include:

- CORC-03** • 2m at 129gpt Ag from 41m
- CORC-06** • 13m at 0.23gpt Au, 71gpt Ag from 37m
- *including 1m at 0.79gpt Au, 380gpt Ag from 38m*

Corona Soil Survey

The Company has commenced regional exploration at its Corona project located 30km south of Newmont’s Cerro Negro mine (Figure 1). Corona is host to a large clay alteration system with epithermal veins and sinter deposits geologically similar to mineralised vein districts at Cerro Negro. The project has never been systematically explored or drilled.

Exploration so far has focused on the Corona Norte sinter target where 333 soil (LAG) samples have been collected. Results are expected in the coming weeks.



Figure 6: View of the Corona Norte Sinter Prospect

Mount Hope Project, Cobar Superbasin

E2 holds a 100% interest in a strategic 273km² land package over the historic Mount Hope copper gold district located in the Cobar Superbasin, New South Wales (Figure 7). The Cobar Superbasin is one of the pre-eminent polymetallic districts in Australia and is prospective for high grade lead, zinc, copper and precious metal deposits. It is host to two emerging discoveries at Peel Mining’s (ASX: PEX) Wagga Tank - Southern Nights and Aurelia Metals (ASX: AMI) Federation prospects.

Both Southern Nights and Federation are blind discoveries that were aided by modern geophysics. The Company is assessing options to apply similar geophysics to its project to expand targeting beyond the historical prospects (i.e. Mount Solitary and Mount Hope) into covered areas with very little modern exploration.

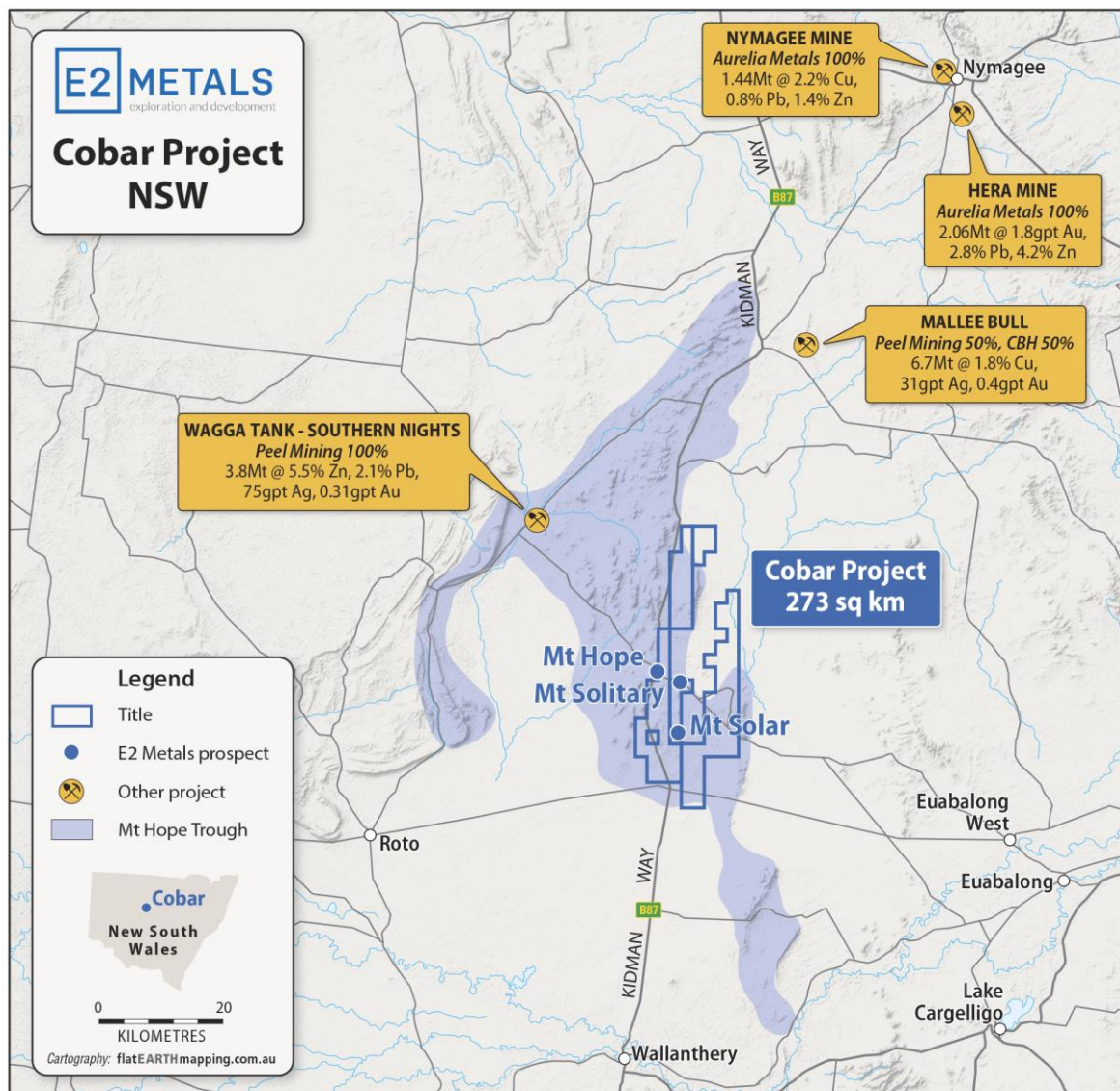


Figure 7: Cobar Project, New South Wales

Corporate

The Company held \$2.3M cash as of 31 December 2019.

Upcoming Plans for the March Quarter 2020

The Company continues to be focused on advancing the Conserrat project. The scout drill program recommenced on 5 January 2020 and is now complete. The January program comprised an additional 10 holes at the **Florencia, Ro, Melisa** and **Veta Blanca** prospects for 931m. Assay results are expected in the next 2 weeks. In addition, surface mapping and prospecting is ongoing and the Company has located several new vein trends within Conserrat that warrant follow-up.

For enquiries please contact:

Todd Williams

Managing Director

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This announcement is authorised for release to the market by the Board of Directors of E2 Metals Limited.

Streamline Competent Person Statement

This report contains information extracted from previous ASX releases which are referenced in the report. The Company is not aware of any new information or data that materially affects the information included in the original market announcements.

The Company confirms that the form and content in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

ASX Announcements

- 14 October 2019, *Conserrat Project Exploration Update*
- 31 October 2019, *New Mineralised Trends Confirmed at Ro and Florencia*
- 12 December 2019, *Conserrat Project Exploration Update*
- 23 December 2019, *Scout Drilling Returns High-Grade Silver at Conserrat*

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%		
423.827/MS/09	Lago Hermoso	80%		
423.828/MS/09	El Salado Este	80%		
424.985/MS/10	El Salado Central I	80%		
421.672/MS/12	El Porvenir Norte	80%		
422.990/MS/12	Tres Cerros Oeste	80%		
406.735/MS/08	Querencia	80%		
430.269/MS/14	Sierra Morena I	80%		
430.270/MS/14	Sierra Morena II	80%		
437.502/BVG/17	Cañadón la Angostura	80%		
437.503/BVG/17	Van Norte	80%		
437.470/BVG/17	Corona Norte	80%		
437.472/BVG/17	Corona Sur	80%		
437.471/BVG/17	Conserrat	80%		
32.053-M-2007	Cerros Blancos	80%		
32.055-M-2007	Marinao	80%		
32.056-M-2007	Arroyo de la Ventana	80%		
32.057-M-2007	Laguna Redonda	80%		
32.057-M-2007	Paredes	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 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(740)	(1,114)
(b) development	-	-
(c) production	-	-
(d) staff costs	(16)	(112)
(e) administration and corporate costs	(189)	(328)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	12
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	(940)	(1,542)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(12)
(b) tenements (see item 10)	-	-
(c) investments	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	Other	-	-
2.6	Net cash from / (used in) investing activities	(3)	(12)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
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	(27)	(27)
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	(27)	(27)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,341	3,947
4.2	Net cash from / (used in) operating activities (item 1.10 above)	(940)	(1,542)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(12)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(27)	(27)
4.5	Effect of movement in exchange rates on cash held	(17)	(12)
4.6	Cash and cash equivalents at end of period	2,354	2,354

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	2,354	3,341
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)	2,354	3,341

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	92
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

- Payment of \$70K for Directors' fees during the quarter
- Payment of \$22K to Leydin Freyer Corp, an associated entity of Ms Melanie Leydin, for CFO and company secretarial fees during the December 2019 quarter

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

-

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.		

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9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	430
9.2	Development	-
9.3	Production	-
9.4	Staff costs	60
9.5	Administration and corporate costs	60
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	550

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	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

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: 24 January 2020

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.