

E2 Metals Limited

ABN 34 116 865 546

Annual Report - 30 June 2016

E2 Metals Limited

Contents

30 June 2016

| | |
|--|----|
| Corporate directory | 2 |
| Review of operations | 3 |
| Directors' report | 5 |
| Auditor's independence declaration | 10 |
| Statement of profit or loss and other comprehensive income | 11 |
| Statement of financial position | 12 |
| Statement of changes in equity | 13 |
| Statement of cash flows | 14 |
| Notes to the financial statements | 15 |
| Directors' declaration | 32 |
| Independent auditor's report to the members of E2 Metals Limited | 33 |

**E2 Metals Limited
Corporate directory
30 June 2016**

| | |
|---------------------|--|
| Directors | Martin Donohue Simon Peters Chris Spurway |
| Company secretaries | Melanie Leydin Justin Mouchacca |
| Registered office | Level 4 100 Albert Road South Melbourne VIC 3205 |
| Auditor | William Buck Level 20, 181 William Street Melbourne VIC 3000 |

Neavesville project

E2 Metals Ltd owns 100% of the Neavesville epithermal gold-silver project, located on the Coromandel Peninsula of New Zealand's North Island. Positioned within the world class Hauraki Goldfield, the project area is within MEP 51-767. The project lies just 25 km NNW of Oceanagold's Waihi Operations, which entail both the Martha open cut and Favona underground mines.

Work conducted at Neavesville includes:

- 63 diamond holes totalling over 8,900 meters of drilling
- More than 1,400 rock samples
- Soil sampling grids
- And numerous geophysical surveys such as CSAMT which was successfully applied at the neighbouring Martha epithermal gold mine.

The largest of the gold systems defined by drilling and surface geochemistry is centred on Trig Bluffs which has inferred mineral resource estimates produced in 1999 (and updated in 2001) by the New Zealand Institute of Geological and Nuclear Sciences are as per below. While the resource estimates were JORC compliant at that time, a Qualified Person has not performed sufficient work to classify the historic estimates as current mineral resources and E2 Metals Ltd is not treating the estimates as current mineral resources. The estimates should not be relied upon until they can be confirmed.

- *Near-surface, resource estimate for the "upper zone" mineralisation reported as:*
3.2 million tonnes averaging 2.7 g/t gold and 8.9 g/t silver, containing 289,000 ounces of gold and 944,000 ounces of silver
- *Deeper, potentially underground mineable mineralization reported as:*
0.47 million tonnes averaging 7.1 g/t gold and 20.7 g/t silver containing 107,000 ounces of gold and 312,000 ounces of silver.
- *Epithermal gold mineralisation is developed in a large multiphase breccia complex that cuts faulted volcanic and minor sedimentary sequences*
- *Gold/silver mineralisation is developed along steeply dipping low sulphidation quartz-adularia veins, and as pervasive and stockworks in breccia and dacite porphyry*
- *Other highlights of the Project are :*
 - 33 meters averaging 3.24 g/t Au (NDDH16, 146.5-179.5m)* and
 - 43.5 meters averaging 1.93 g/t Au and 10.14 g/t Ag (NDDH30, 163.5-232.5m)*

**True widths interpreted as 90-100% of actual width.*

The main identified targets of the Neavesville Project are:

Ajax

- Historic rock chips up to 1600 g/t Au
- Untested feeder structure to epithermal system
- 3000m drill program fully permitted and ready for immediate start.

Chelmsford

- Multi-gram Au outcropping rock chips (n>10%). 200m x 400m (>0.1 Au in oil) anomaly
- No drilling

Champion

- Oxide Au drill intercepts, from surface

Trigg Bluff

- 2.5 X 1.5 Km² area with historic JORC Inferred Resources of 3.2Mt at 2.7 g/t Au & 8.9 g/t Ag (near-surface) and 0.47Mt at 7.1 g/t Au & 20.7 g/t Ag (at depth)

CSAMT targets

- Several targets have been defined east of the Trigg Bluff resource

Mt Hope Project

The Mt Hope project is comprised of three licence EL 6837, Mt Hope; EL 4932, Broken Range and EL 8290, Main Road. As bordering and neighbouring licences, the group is located in the central west of New South Wales within the world class Cobar Basin and comprises four prospects striking North – South called Mt Solitary, Little Mt Solitary, Powerline Hill and Mt Solar.

The underlying geology is the early Devonian Broken Range Group comprised of laminated sandstone with minor imbedded siltstone. These rocks form part of a turbidite sequence deposited in the Mt Hope/Rast Trough and are part of the Cobar Super Group of the central Lachlan Fold Belt. Historical work (RC drilling) undertaken by the company has confirmed that the Mt Hope gold mineralization is considered to be analogous to other Cobar style deposits such as Peak and Perseverance. High grade mineralisation extends from surface to 220 meters below surface in a NNW trending series of lenses and remains open.

E2 Metals Limited
Directors' report
30 June 2016

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 2016.

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 Martin Donohue
Mr Chris Spurway (appointed 27 June 2016)
Mr Simon Peters (appointed 27 June 2016)
Mr Gregory Seers (resigned 23 June 2016)
Ms Melanie Leydin (resigned 25 June 2016)

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.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$53,662 (30 June 2015: \$596,104).

Significant changes in the state of affairs

On 6 July 2015 the consolidated entity completed a share placement to sophisticated investors issuing 1,000,000 fully paid ordinary shares at \$0.10 (10 cents) per share raising a total of \$100,000 (before costs).

During the year the consolidated entity issued shares as part of an equity settlement for the New Zealand drilling program in lieu of cash. On 4 December 2015 the consolidated entity issued 800,000 fully paid ordinary shares at an issue price of \$0.10 (10 cents) per share. There were no proceeds raised from the issue of these shares as the shares issued satisfy outstanding amounts payable to DDH1 Drilling Pty Ltd for drilling costs already carried out.

On 18 December 2015 the consolidated entity completed a share placement to sophisticated investors issuing 3,750,000 fully paid ordinary shares at \$0.04 (4 cents) per share raising a total of \$150,000 (before costs).

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 August 2016 the consolidated entity completed a share placement to sophisticated investors issuing 1,400,000 fully paid ordinary shares at \$0.05 (5 cents) per share raising a total of \$70,000 (before costs).

No other matter or circumstance has arisen since 30 June 2016 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 consolidated entity is currently in the process of undertaking an initial public offering (IPO). The intention is for the company to complete this in the first half of the 2017 financial year and be admitted to the Australian Stock Exchange (ASX).

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

Name: Mr Simon Peters
Title: Managing Director (appointed 27 June 2016)
Experience and expertise: Simon has over 15 years' experience as a mining executive. He has 12 years in management positions across 3 continents, 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. Simon has held company executive positions with areas of responsibility including exploration, permitting, project feasibility and development in gold and industrial minerals sectors. He has 12 years' experience in management positions across 3 continents (Africa, Australia & Asia) in 3 main commodities (Iron Ore, Gold and Minerals).

More recently he 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.

Simon now provides strategic & technical management consultancy advice to government, mining and agricultural sectors.

**E2 Metals Limited
Directors' report
30 June 2016**

Name: Mr Chris Spurway
Title: Non-Executive Director (appointed 27 June 2016)
Qualifications: B.Sc. (Hons), FAusIMM, FSEG, MAIG, GSA
Experience and expertise: Chris Spurway has 25 years of geological experience in the minerals industry covering exploration management, resource definition, mining geology and business development. Chris 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. Chris 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.

Chris 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).

Name: Mr Gregory Seers
Title: Non-Executive Director (resigned 23 June 2016)
Qualifications: FCPA
Experience and expertise: Greg Seers, FCPA, is a founding Director of Land & Mineral and was appointed as Non-Executive Director in January 2011. He is a Partner of Accounting firm Shepard Webster & O'Neill, a Melbourne based accounting and taxation practice. Greg holds a Bachelor of Business (Accounting) degree from Monash University. He is a Fellow of CPA Australia and a member of the Society for over 20 years, with significant corporate, financial and business experience.

Name: Ms Melanie Leydin
Title: Non-Executive Director (resigned 25 June 2016)
Qualifications: B.Bus, CA
Experience and expertise: Ms Melanie 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 23 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.

E2 Metals Limited
Directors' report
30 June 2016

Company secretaries

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of Chartered Accountants Australia and New Zealand and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer.

The practice provides outsourced company secretarial and accounting services to public and private companies specialising in the Resources, technology, bioscience and biotechnology sector.

Melanie has over 23 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Justin Mouchacca holds a Bachelor of Business majoring in Accounting. He graduated from RMIT University in 2008, became a Chartered Accountant in 2011 and since July 2013 has been the principal of chartered accounting firm, Leydin Freyer Corp Pty Ltd.

The practice provides outsourced company secretarial and accounting services to public and private companies specialising in the Resources, technology, bioscience and biotechnology sectors.

Justin has over 8 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Meetings of directors

There were no meetings of directors held during the year ended 30 June 2016.

Shares under option

There were no unissued ordinary shares of E2 Metals Limited under option outstanding at the date of this report.

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 2016 and up to the date of this report.

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

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.

E2 Metals Limited
Directors' report
30 June 2016

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

21 September 2016

**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 2016 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.

A handwritten signature in blue ink that reads 'William Buck'.

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

A handwritten signature in blue ink that reads 'J. C. Luckins'.

J. C. Luckins
Director

Dated this 21st day of September, 2016

**CHARTERED ACCOUNTANTS
& ADVISORS**

Level 20, 181 William Street
Melbourne VIC 3000

PO Box 185
Toorak VIC 3142

Telephone: +61 3 9824 8555

williambuck.com

E2 Metals Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

| | Note | Consolidated 2016 \$ | 2015 \$ |
|---|------|----------------------------|--------------|
| Revenue | 5 | 6,769 | 4,693 |
| Expenses | | | |
| Exploration and evaluation costs written off | | - | (17,390) |
| Administration | | (12,061) | (37,735) |
| Corporate Expenses | | (48,370) | (167,293) |
| Cost of Unlisted Companies | 6 | - | (378,379) |
| Loss before income tax expense | | (53,662) | (596,104) |
| Income tax expense | 8 | - | - |
| Loss after income tax expense for the year attributable to the owners of E2 Metals Limited | | (53,662) | (596,104) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | 23,644 | 6,849 |
| Other comprehensive income for the year, net of tax | | 23,644 | 6,849 |
| Total comprehensive income for the year attributable to the owners of E2 Metals Limited | | (30,018) | (589,255) |
| | | Cents | Cents |
| Basic loss per share | 25 | (0.10) | (1.69) |
| Diluted loss per share | 25 | (0.10) | (1.69) |

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

E2 Metals Limited
Statement of financial position
As at 30 June 2016

| | Note | Consolidated 2016 \$ | 2015 \$ |
|-----------------------------|------|----------------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 38,776 | 15,394 |
| Trade and other receivables | 10 | 17,941 | 26,943 |
| Total current assets | | <u>56,717</u> | <u>42,337</u> |
| Non-current assets | | | |
| Exploration and evaluation | 11 | 761,061 | 621,853 |
| Other | 12 | 26,265 | 32,805 |
| Total non-current assets | | <u>787,326</u> | <u>654,658</u> |
| Total assets | | <u>844,043</u> | <u>696,995</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 122,581 | 228,372 |
| Other | 14 | 12,724 | 59,867 |
| Total current liabilities | | <u>135,305</u> | <u>288,239</u> |
| Total liabilities | | <u>135,305</u> | <u>288,239</u> |
| Net assets | | <u>708,738</u> | <u>408,756</u> |
| Equity | | | |
| Issued capital | 15 | 2,452,586 | 2,122,586 |
| Reserves | | 30,493 | 6,849 |
| Accumulated losses | | <u>(1,774,341)</u> | <u>(1,720,679)</u> |
| Total equity | | <u>708,738</u> | <u>408,756</u> |

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

E2 Metals Limited
Statement of changes in equity
For the year ended 30 June 2016

| Consolidated | Issued capital \$ | Foreign currency translation reserve \$ | Accumulated losses \$ | Total equity \$ |
|---|----------------------------------|--|--------------------------------------|----------------------------|
| Balance at 1 July 2014 | 1,778,288 | - | (1,124,575) | 653,713 |
| Loss after income tax expense for the year | - | - | (596,104) | (596,104) |
| Other comprehensive income for the year, net of tax | - | 6,849 | - | 6,849 |
| Total comprehensive income for the year | - | 6,849 | (596,104) | (589,255) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Value of equity attributed to shareholders of E2 Metals Limited (17,946,636 shares at 1.92 cents per share) arising from the reverse acquisition of Land and Minerals Limited | 344,298 | - | - | 344,298 |
| Balance at 30 June 2015 | <u>2,122,586</u> | <u>6,849</u> | <u>(1,720,679)</u> | <u>408,756</u> |
| Consolidated | Issued capital \$ | Foreign currency translation reserve \$ | Retained profits \$ | Total equity \$ |
| Balance at 1 July 2015 | 2,122,586 | 6,849 | (1,720,679) | 408,756 |
| Loss after income tax expense for the year | - | - | (53,662) | (53,662) |
| Other comprehensive income for the year, net of tax | - | 23,644 | - | 23,644 |
| Total comprehensive income for the year | - | 23,644 | (53,662) | (30,018) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 15) | 330,000 | - | - | 330,000 |
| Balance at 30 June 2016 | <u>2,452,586</u> | <u>30,493</u> | <u>(1,774,341)</u> | <u>708,738</u> |

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

E2 Metals Limited
Statement of cash flows
For the year ended 30 June 2016

| | Note | Consolidated | |
|--|-------------|-----------------------------|-----------------------------|
| | | 2016 | 2015 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Payments to suppliers (inclusive of GST) | | (191,975) | (177,371) |
| Interest received | | 809 | 4,692 |
| | | <u> </u> | <u> </u> |
| Net cash used in operating activities | 24 | <u>(191,166)</u> | <u>(172,679)</u> |
| Cash flows from investing activities | | | |
| Payments for exploration and evaluation | | (35,452) | (106,578) |
| Payments for security deposits | | - | (10,000) |
| Acquisition costs for EMX (NZ) BVI Inc. | | - | (53,135) |
| | | <u> </u> | <u> </u> |
| Net cash used in investing activities | | <u>(35,452)</u> | <u>(169,713)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 250,000 | - |
| | | <u> </u> | <u> </u> |
| Net cash from financing activities | | <u>250,000</u> | <u>-</u> |
| Net increase/(decrease) in cash and cash equivalents | | 23,382 | (342,392) |
| Cash and cash equivalents at the beginning of the financial year | | 15,394 | 352,015 |
| Effects of exchange rate changes on cash and cash equivalents | | - | 5,771 |
| | | <u> </u> | <u> </u> |
| Cash and cash equivalents at the end of the financial year | 9 | <u><u>38,776</u></u> | <u><u>15,394</u></u> |

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

E2 Metals Limited
Notes to the financial statements
30 June 2016

Note 1. General information

These are the financial statements of E2 Metals Limited (the company) and its 100% legally controlled entity (the group), for the year ended 30 June 2016. For accounting purposes, the accounting parent company of the group for the year ended 30 June 2015 was Land and Mineral Limited. As such, these financial statements and comparative disclosures thereon reflect the results of Land and Mineral Limited and its consolidated entities up until the date that it achieved control of E2 Metals Limited, for accounting purposes, on 17 December 2014, and thereafter of the group's consolidated results for the year ended 30 June 2016.

E2 Metals Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, 100 Albert Road
 South Melbourne, VIC 3205
 Telephone: +613 9692 7222
 Facsimile: +613 9077 9233

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 21 September 2016. 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 below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the annual reporting period ending 30 June 2016 are outlined in the table below:

| Standard | Mandatory date for annual reporting periods beginning on or after) | Reporting period standard adopted by the company |
|--|---|---|
| AASB 9 Financial Instruments and related standards | 1 January 2018 | 1 July 2018 |
| AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 | 1 January 2018 | 1 July 2018 |
| AASB 2015-1 Annual improvements 2012 – 2014 cycle | 1 January 2016 | 1 July 2016 |
| AASB 16 - Leases | 1 January 2019 | 1 July 2019 |

Management are currently assessing the impact of these new standards. The impact of these standards are not expected to be material to the Group.

Note 2. Significant accounting policies (continued)

Going concern basis

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The working capital position as at 30 June 2016 of the consolidated entity results in an current net liability position (current assets over current liabilities) of \$78,588 (30 June 2015: \$245,902). The consolidated entity made a loss after tax of \$53,662 during the year (2015: \$596,104) and the net operating cash outflow was \$191,166 (30 June 2014: \$172,679). The cash balance as at 30 June 2016 was \$38,776 (30 June 2015: \$15,394).

Subsequent to the end of the period as at the date of this report the consolidated entity completed the following in order to continue as a going concern:

- On 25 August 2016 the consolidated entity completed a share placement issuing 1,400,000 fully paid ordinary shares at an issue price of \$0.05 (5 cents) per share raising a total of \$70,000.

On 18 December 2015 the consolidated entity announced that it had signed a Heads of Agreement ("HOA") with White Rock Minerals ("WRM") where WRM would acquire all share capital in the consolidated entity at a deemed consideration of 3.25 WRM shares for every share E2 Metals Limited share on issue. The HOA was subsequently terminated upon mutual agreement between the two parties on 26 April 2016.

The Consolidated entity is in the process of preparing for an Initial Public Offering and has appointed a lead manager to the issue. The lead manager is currently raising further seeds funds for the Company in association with the IPO. The IPO is expected to be completed before December 2016.

The Directors are of the opinion that the existing cash reserves will provide the Company with adequate funds to ensure its continued viability and operate as a going concern.

The Company continues to closely monitor expenditure, and the Board is confident that it will be able to manage its cash resources appropriately without negatively impacting upon planned activities. On this basis the directors consider that the consolidated entity remains a going concern and these financial statements have been prepared on this basis.

The Company is currently reviewing potential funding mechanisms in the form of either capital raisings or debt funding. The directors will continue review funding going forward and will source funds which best suit the company's ongoing requirements and that will continue to create shareholders value.

Whilst the directors are confident in the consolidated entity's ability to continue as a going concern, in the event future potential capital raising initiatives and commercial opportunities do not eventuate, there is significant uncertainty as to whether the consolidated entity will be able to generate sufficient net operating cash inflows or execute alternative funding arrangements to enable it to continue as a going concern. Consequently, material uncertainty exists as to whether the consolidated entity will continue as a going concern and it may therefore be required to realise assets, extinguish liabilities at amounts different to those recorded in the balance sheet and settle liabilities other than in the ordinary course of business. As a result of the above the Directors have pledged to support the working capital requirements of the business for 12 months from the date that this report has been issued.

Reverse Acquisitions of entities that are not businesses

When an entity obtains control over an entity and that entity is not a business, the company applies its accounting policy for consolidations, and any consideration paid in-respect of the acquisition of that entity in-excess of the net book value of assets and liabilities acquired is expensed to the profit and loss. Where consideration for the acquisition involves the issue of share capital by the accounting acquirer, such equity is measured at its grant date fair value. Grant date is the date in which all parties to the transaction are fully aware of the rights and entitlements attributed to the consideration of the issued capital issued by the accounting acquirer.

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').

Note 2. Significant accounting policies (continued)

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, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the legal parent entity is disclosed in note 22.

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 2016 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'. The comparatives listed in this financial report are that of the accounting parent being Land and Mineral Limited as at 30 June 2015 following the reverse acquisition of E2 Metals Limited during the prior year.

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.

Note 2. Significant accounting policies (continued)

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.

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Financial Instruments

Recognition and initial 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.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured 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 2. Significant accounting policies (continued)

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 as unused tax losses.

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

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

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the assets are 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.

- 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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

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 2. Significant accounting policies (continued)

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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.

Deferred tax assets

The directors have determined that currently the company will not be able to offset its tax losses and temporary tax differences against future taxable income, and on this basis has not recognised a net deferred tax asset in the financial statements. Refer to Note 2.

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

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.

E2 Metals Limited
Notes to the financial statements
30 June 2016

Note 4. Operating Segments

Identification of reportable operating segments

During the current financial year the consolidated entity operated in one segment being exploration and evaluation of mineral deposits in Australia and overseas.

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In the current year the board as the chief operating decision maker reviews the consolidated entity as one operating segment being mineral exploration within Oceanic region. .

Note 5. Revenue

| | Consolidated | |
|---------------|---------------------|--------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Interest | 34 | 4,693 |
| Other revenue | 6,735 | - |
| | <u>6,769</u> | <u>4,693</u> |
| Revenue | <u>6,769</u> | <u>4,693</u> |

Note 6. Cost of Unlisted Companies

Reverse acquisition of Land and Minerals Ltd

On 17 December 2014 E2 Metals Limited successfully completed an issue of share capital under Share Sale Agreement to acquire 100% of the issued share capital of Land and Minerals Limited from its shareholders. As at this date, the original shareholders of Land and Minerals Limited held more than 50% of the ordinary issued share capital in E2 Metals Limited. Based upon this shareholding, and from a change to the nature of the operations and management to the entity that accompanied the transaction, the directors determined that the transaction satisfied the accounting definition of a reverse acquisition, whereby the accounting parent of the newly merged entity would be Land and Minerals Limited, irrespective of the fact that the head legal entity would remain as E2 Metals Limited. The directors also determined that the newly acquired entity, for accounting purposes, being E2 Metals Limited, did not meet the accounting definition of a business, and as a consequence no adjustments were made for fair values of assets or liabilities held in E2 Metals as a consequence of the transaction. The deemed consideration incurred as a result of the transaction, including the costs of equity paid by Land and Minerals Limited for merging into the newly-formed group the existing shareholders of E2 Metals Limited that could not be directly linked to the issue of share capital, were expensed to the profit or loss, as follows:

| | Consolidated | |
|--|---------------------|----------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Value of equity attributed to shareholders of E2 Metals Limited (17,946,939 shares at 1.92 cents per share) arising from the reverse acquisition of Land and Minerals Limited: | - | 344,298 |
| Net liabilities incurred upon the accounting acquisition of E2 Metals Limited | - | 34,081 |
| | <u>-</u> | <u>378,379</u> |
| Total cost of unlisted shell | <u>-</u> | <u>378,379</u> |

E2 Metals Limited
Notes to the financial statements
30 June 2016

Note 7. Acquisition of EMX (NZ) Inc. assets

On 17 January 2015 the company's wholly owned subsidiary Land and Mineral Limited acquired 100% of the share capital in EMX (NZ) BVI Inc. and all its controlled entities. The consideration transferred was CAD\$50,000 along a further CAD\$50,000 deferred until 12 months following the completion date, which has now been met. The acquisition is not considered a business combination as defined in AASB 3 as EMX (NZ) BVI Inc. was not considered to be carrying on a business. As such the acquisition has been treated as an asset acquisition of tenements with the fair value of the asset been the consideration amount of CAD\$100,000 (AUD\$106,270). The acquisition also has contingent liabilities if certain milestones are met (refer to note 19 for further information).

Note 8. Income tax expense

| | Consolidated | |
|--|---------------------|---------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Loss before income tax expense | (53,662) | (596,104) |
| Tax at the statutory tax rate of 30% | (16,099) | (178,831) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Expense on reverse acquisition | - | 113,514 |
| Tax rate differential | - | 518 |
| | (16,099) | (64,799) |
| Current year tax losses not recognised | 18,736 | 63,869 |
| Current year temporary differences not recognised | (2,637) | 930 |
| Income tax expense | - | - |
| | Consolidated | Consolidated |
| | 2016 | 2015 |
| | \$ | \$ |
| <i>Tax losses not recognised</i> | | |
| Unused tax losses for which no deferred tax asset has been recognised | 1,735,622 | 1,673,169 |
| Potential tax benefit @ 30% | 520,687 | 501,951 |

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.

E2 Metals Limited
Notes to the financial statements
30 June 2016

Note 8. Income tax expense (continued)

There was no income tax expense or other tax balances created for the year ended 30 June 2016 and 30 June 2015 due to the losses from operations.

At 30 June 2016, the company reviewed the quantum of its unrecognised carry forward tax losses. As at that date there are unrecognised carry forward tax losses of \$1,735,622 (2015: \$1,673,169) 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.

Note 9. Current assets - cash and cash equivalents

| | Consolidated | |
|--------------|---------------------|---------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Cash at bank | <u>38,776</u> | <u>15,394</u> |

Note 10. Current assets - trade and other receivables

| | Consolidated | |
|---------------------------|---------------------|---------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Other receivables | 4,540 | 4,040 |
| GST and other receivables | <u>13,401</u> | <u>22,903</u> |
| | <u>17,941</u> | <u>26,943</u> |

Note 11. Non-current assets - exploration and evaluation

| | Consolidated | |
|----------------------------|---------------------|----------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Exploration and evaluation | <u>761,061</u> | <u>621,853</u> |

E2 Metals Limited
Notes to the financial statements
30 June 2016

Note 11. Non-current assets - exploration and evaluation (continued)

Reconciliations

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

| Consolidated | Exploration Expenditure \$ | Total \$ |
|--|----------------------------------|----------------|
| Balance at 1 July 2014 | 341,697 | 341,697 |
| Acquisition costs deemed Exploration Expenditure | 106,270 | 106,270 |
| Additions through business combinations | 84,698 | 84,698 |
| Expenditure during the year | 106,578 | 106,578 |
| Impairment of assets | (17,390) | (17,390) |
| | <hr/> | <hr/> |
| Balance at 30 June 2015 | 621,853 | 621,853 |
| Expenditure during the year | 139,208 | 139,208 |
| | <hr/> | <hr/> |
| Balance at 30 June 2016 | <u>761,061</u> | <u>761,061</u> |

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

Note 12. Non-current assets - other

| | Consolidated | |
|-------------------|---------------------|---------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Prepayments | 6,265 | 12,805 |
| Security deposits | 20,000 | 20,000 |
| | <hr/> | <hr/> |
| | <u>26,265</u> | <u>32,805</u> |

Note 13. Current liabilities - trade and other payables

| | Consolidated | |
|----------------|---------------------|----------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Trade payables | 122,581 | 228,372 |
| | <hr/> | <hr/> |
| | <u>122,581</u> | <u>228,372</u> |

Refer to note 17 for further information on financial instruments.

E2 Metals Limited
Notes to the financial statements
30 June 2016

Note 14. Current liabilities - other

| | Consolidated | |
|---------------------------|---------------------|---------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Other payables | 5,992 | - |
| Accrued expenses | 6,000 | 6,000 |
| Other current liabilities | 732 | 53,867 |
| | <u>12,724</u> | <u>59,867</u> |

Included in other current liabilities for the prior year is the first anniversary payment for the acquisition of EMX (NZ) Inc. as part of the share sale agreement signed on 17 September 2014. The anniversary payment amounts to CAD\$50,000.

Note 15. Equity - issued capital

| | Consolidated | | | |
|------------------------------|---------------------|-------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>56,114,939</u> | <u>50,564,939</u> | <u>2,452,586</u> | <u>2,122,586</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|--|------------------|-------------------|--------------------|------------------|
| Balance | 1 July 2014 | 17,946,936 | | 1,778,288 |
| Issue of shares for the acquisition of Land and Mineral Limited | | 32,618,003 | \$0.00 | - |
| Value of equity attributed to shareholders of E2 Metals Limited (17,946,636 shares at 1.92 cents per share) arising from the reverse acquisition of Land and Mineral Limited | | - | \$0.00 | 344,298 |
| Balance | 30 June 2015 | 50,564,939 | | 2,122,586 |
| Share placement to sophisticated investors | 2 July 2015 | 1,000,000 | \$0.10 | 100,000 |
| Issue of shares to DDH1 Drilling | 3 December 2015 | 800,000 | \$0.10 | 80,000 |
| Share placement to sophisticated investors | 18 December 2015 | 3,750,000 | \$0.04 | 150,000 |
| Balance | 30 June 2016 | <u>56,114,939</u> | | <u>2,452,586</u> |

The consolidated financial statements and share capital represent the continuation of Land and Mineral Limited. The number of shares on issue reflects those of the legal head entity, E2 Metals Limited.

Ordinary shares

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

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

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

E2 Metals Limited
Notes to the financial statements
30 June 2016

Note 15. Equity - issued capital (continued)

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Management effectively manages the consolidated entities capital by regularly monitoring its current and expected liquidity requirements and by assessing the group's financial risks. The consolidated entities capital structure is adjusted in response to the changes in liquidity requirements and financial risks. These responses include the management of debt levels and share issues

The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

Note 16. Equity - dividends

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

Note 17. 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, price 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, foreign exchange and other price risks, 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.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is managed using sensitivity analysis and cash flow forecasting.

Following the acquisition of EMX (NZ) BVI Inc. via the company's wholly owned subsidiary Land & Mineral Limited during the financial year at 30 June 2015 the consolidated entity did not have significant exposure to foreign exchange risks on financial instruments held in foreign currencies other than its interests in exploration assets and associates in New Zealand. The net assets of the New Zealand operations at 30 June 2016 was \$141,015 (30 June 2015:136,866).

| | AUD strengthened % change | AUD strengthened Effect on equity | AUD weakened % change | AUD weakened Effect on equity |
|----------------------------|---------------------------------|--|-----------------------------|--|
| Consolidated - 2016 | | | | |
| New Zealand Operations | 15% | <u>21,152</u> | 15% | <u>(21,152)</u> |
| | | | | |
| | AUD strengthened % change | AUD strengthened Effect on equity | AUD weakened % change | AUD weakened Effect on equity |
| Consolidated - 2015 | | | | |
| New Zealand Operations | 15% | <u>20,530</u> | 15% | <u>(20,530)</u> |

Price risk

The consolidated entity is not exposed to any significant price risk.

E2 Metals Limited
Notes to the financial statements
30 June 2016

Note 17. Financial instruments (continued)

Interest rate risk

The consolidated entity is exposed to interest rate risk on its cash at bank and held through deposits. A sensitivity analysis is carried out on material cash balances. The impact of this sensitivity analysis is not considered to materially impact the statement of profit or loss and other comprehensive income.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity.

Liquidity risk

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

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

Remaining contractual maturities

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

| Consolidated - 2016 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|------------------------------|---|----------------------|--------------------------------|--------------------------------|--------------------|--|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 122,581 | - | - | - | 122,581 |
| Other payables | - | 14,724 | - | - | - | 14,724 |
| Total non-derivatives | | 137,305 | - | - | - | 137,305 |

| Consolidated - 2015 | 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 | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 228,372 | - | - | - | 228,372 |
| Other payables | - | 59,867 | - | - | - | 59,867 |
| Total non-derivatives | | 288,239 | - | - | - | 288,239 |

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

Fair value of financial instruments

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

E2 Metals Limited
Notes to the financial statements
30 June 2016

Note 18. 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 | |
|--|---------------------|-------------|
| | 2016 | 2015 |
| | \$ | \$ |
| <i>Audit services - William Buck Audit (Vic) Pty Ltd</i> | | |
| Audit or review of the financial statements | 6,000 | 4,000 |
| <i>Other services - William Buck Audit (Vic) Pty Ltd</i> | | |
| Review of prospectus and Independents accountants report | - | 11,000 |
| | 6,000 | 15,000 |
| | 6,000 | 15,000 |

Note 19. Contingent liabilities

On 17 September 2014 a share sale agreement was executed between Land and Mineral Limited (accounting parent) and Eurasian Holdings (BVI) Inc (vendor) to acquire 100% of the share capital in EMX (NZ) BVI Inc. and all its controlled entities. As part of the share sale agreement the following contingent liabilities are present if certain milestones are reached. The liabilities arise if or when the following milestones are met:

1. Upon an announcement of Mineral Resources, the consolidated entity must pay the vendor One troy ounce of gold for every 1,000 ounces of contained gold in such mineral resource.
2. The consolidated entity must pay to the vendor additional amounts based on aggregate Proved Ore Reserves and Probable Ore Reserves of Gold reported in the Feasibility Study, or which Ore Reserves are otherwise publicly reported by the consolidated entity subsequent to completion of such Feasibility Study, which payments shall over time equal One troy ounce of Gold for every 500 troy ounces of Gold in Ore Reserves.

Note 20. Commitments

| | Consolidated | |
|---|---------------------|-------------|
| | 2016 | 2015 |
| | \$ | \$ |
| <i>Exploration Expenditure Commitments</i> | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 1,340,000 | 145,000 |
| One to five years | 739,500 | 2,074,500 |
| | 2,079,500 | 2,219,500 |
| | 2,079,500 | 2,219,500 |

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 which has a minimum expenditure requirement of \$1,997,000. This expenditure is estimated as the commitments as per the agreement are based on milestones of drilling and other work programs been completed.

E2 Metals Limited
Notes to the financial statements
30 June 2016

Note 21. Related party transactions

Parent entity

E2 Metals Limited is the parent entity.

Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated | |
|--|---------------------|-------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Sale of goods and services: | | |
| Payments to Leydin Freyer Corp an associated entity of Melanie Leydin and Justin Mouchacca | 7,000 | 38,000 |
| Payments to Penstock Advisory Pty Ltd an associated entity of Martin Donohue | - | 15,000 |

The amounts paid to Leydin Freyer Corp are in relation to accounting and secretarial fees. The amounts paid to Penstock Advisory Pty Ltd were in relation to consulting services provided to the company.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | |
|---|---------------------|-------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Current payables: | | |
| Trade payables to Leydin Freyer Corp associated entity of Melanie Leydin and Justin Mouchacca | 54,300 | 47,300 |

The payable amount to Leydin Freyer Corp is in relation to Accounting and Secretarial services provided. Leydin Freyer Corp is a related party of Melanie Leydin and Justin Mouchacca.

Other related party transactions

The following balances are outstanding at the reporting date in relation to loans with related parties:

| | Consolidated | |
|--------------------------|---------------------|-------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Non-current receivables: | | |
| Loan to subsidiaries | 218,561 | - |
| Non-current borrowings: | | |
| Loan from subsidiaries | - | 83,237 |

The loan noted above relates to funds advanced/borrowed from Land and Mineral Limited (100% wholly owned subsidiary). The loan does not have a repayment date and bears no interest. The loan is eliminated on consolidation.

During the year the consolidated entity acquired 100% of share capital in Land & Mineral Limited following the completion of a 1 for 1 share swap on the 17 December 2014 as approved by shareholders at the Annual General Meeting held on 8 December 2014. A total of 17,946,636 shares were issued to Land & Mineral Limited shareholders under the share swap at a deemed price 1.92 cents per share. Refer to note 6 for further information.

E2 Metals Limited
Notes to the financial statements
30 June 2016

Note 22. Parent entity information

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

Statement of profit or loss and other comprehensive income

| | Parent | |
|----------------------------|---------------|-------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Loss after income tax | (31,716) | (147,131) |
| Total comprehensive income | (31,716) | (147,131) |

Statement of financial position

| | Parent | |
|---------------------------|----------------|----------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Total current assets | 12,524 | 9,102 |
| Total assets | 671,149 | 674,267 |
| Total current liabilities | (118,403) | 182,999 |
| Total liabilities | (118,403) | 182,999 |
| Equity | | |
| Issued capital | 1,538,760 | 1,208,760 |
| Accumulated losses | (749,208) | (717,492) |
| Total equity | <u>789,552</u> | <u>491,268</u> |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

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

Note 23. Events after the reporting period

On 25 August 2016 the consolidated entity completed a share placement to sophisticated investors issuing 1,400,000 fully paid ordinary shares at \$0.05 (5 cents) per share raising a total of \$70,000 (before costs).

No other matter or circumstance has arisen since 30 June 2016 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.

E2 Metals Limited
Notes to the financial statements
30 June 2016

Note 24. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|--|---------------------|------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Loss after income tax expense for the year | (53,662) | (596,104) |
| Adjustments for: | | |
| Impairment of exploration and evaluation expenditure | - | 17,390 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | 17,385 | (30,261) |
| Decrease/(increase) in prepayments and other assets | - | (118,048) |
| Increase/(decrease) in trade and other payables | (154,775) | 174,887 |
| Cost of unlisted shell | - | 378,379 |
| Foreign exchange translation movements | (114) | 1,078 |
| Net cash used in operating activities | <u>(191,166)</u> | <u>(172,679)</u> |

Note 25. Earnings per share

| | Consolidated | |
|---|---------------------|-------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Loss after income tax attributable to the owners of E2 Metals Limited | <u>(53,662)</u> | <u>(596,104)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic loss per share | <u>54,016,442</u> | <u>35,372,992</u> |
| Weighted average number of ordinary shares used in calculating diluted loss per share | <u>54,016,442</u> | <u>35,372,992</u> |
| | Cents | Cents |
| Basic loss per share | (0.10) | (1.69) |
| Diluted loss per share | (0.10) | (1.69) |

There are no options outstanding at the end of the year as a result basic earnings loss share and diluted loss per share are consistent.

E2 Metals Limited
Directors' declaration
30 June 2016

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 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Simon Peters
Managing Director

21 September 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E2 METALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of E2 Metals Limited on, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

CHARTERED ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

PO Box 185
Toorak VIC 3142

Telephone: +61 3 9824 8555

williambuck.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E2 METALS LIMITED (CONT)

Auditor's Opinion

In our opinion:

- a) The consolidated financial report of E2 Metals Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of Matter

Inherent Uncertainty Regarding Continuation as a Going Concern

Without modification to our opinion expressed above, we draw attention to Note 2 of the financial statements which indicates that the consolidated entity incurred a net loss before income tax of \$53,662 and a net cash outflow from operations of \$191,166 for the year ended 30 June 2016. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

A handwritten signature in blue ink that reads 'William Buck'.

William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136

A handwritten signature in blue ink that reads 'J. C. Luckins'.

J. C. Luckins

Director

Dated this 21 September 2016