

E2 Metals Limited

ABN 34 116 865 546

Half Year Report - 31 December 2018

E2 Metals Limited
Contents
31 December 2018



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Directors	Ms Melanie Leydin (Chairperson) Mr Todd Williams (Managing Director) - appointed 20 December 2018 Mr Simon Peters (Managing Director) - resigned 20 December 2018 Mr Alastair Morrison (Non-executive Director) - appointed 12 February 2019 Mr Justin Klintberg (Non-executive Director) - resigned 15 February 2019
Company Secretaries	Ms Melanie Leydin Mr Justin Mouchacca (resigned on 18 January 2019) Mr Michael Sapountzis (appointed Joint Company Secretary from 18 January 2019)
Registered office	Level 4 100 Albert Road South Melbourne VIC 3205 Phone: 03 9692 7222
Principal place of business	Level 7 24-28 Collins Street Melbourne VIC 3000
Share register	Link Market Services Tower 4, 727 Collins Street Docklands VIC 3008 Phone: 1300 554 474
Auditor	William Buck Level 20, 181 William Street Melbourne VIC 3000
Stock exchange listing	E2 Metals Limited shares are listed on the Australian Securities Exchange (ASX code: E2M)

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of E2 Metals Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors

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

Ms Melanie Leydin (Chairperson)
Mr Todd Williams (Managing Director) - appointed 20 December 2018
Mr Simon Peters (Managing Director) - resigned 20 December 2018
Mr Alastair Morrison (Non-executive Director) - appointed 12 February 2019
Mr Justin Klintberg (Non-executive Director) - resigned 15 February 2019

Principal activities

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,038,669 (31 December 2017: \$318,125).

Operating results

Operating expenses for the half year was \$1,073,588, an increase of \$755,463 over the corresponding period (2017: \$318,125). This increase was mainly due to impairment of Neavesville exploration cost of \$788,027 and higher corporate consulting and legal fees resulting from various consultations undertaken by the group on Cootamundra Cobalt-Nickel Project and acquisition of Santa Cruz Gold Projects.

Financial position

Net assets have decreased by \$1,165,974 from \$5,484,894 at 30 June 2018 to \$4,318,920. This was driven by a decrease in working capital and impairment of exploration expenditure on Neavesville project offset by additional exploration expenditure capitalised during the half year.

Review of operations

During the six months to 31 December 2018, the consolidated entity remained focused on the development of precious metal projects in prospective areas within existing goldfields where known mineralisation exists and where further exploration success is likely to support production.

During the period, the Company continued its exploration activities at the Mount Solitary prospect. The Cobar region where the Mount Hope project is located experienced renewed interest during this period following the announcement by Peel Mining Ltd (ASX: PEX) of a high-grade polymetallic zinc and lead discovery at the Southern Nights prospect 1. This discovery reinforces the potential for small but significant high-grade ore shoots at the Company's Mount Hope project in areas of known mineralisation tested by limited and wide spaced drilling. This has allowed further focus on planning further geological investigations.

Further programs of work continue to be developed and incorporated into this year's work program. The review focused on targeting extensions of known high-grade gold mineralisation that remain open at the prospect. Mt Solitary lies at the northern end of 6 km of mineralised strike marked by a series of siliceous outcrops hosting zones of hydrothermal alteration. Previous drilling has confirmed the existence of at least three hydrothermal alteration zones associated with quartz veining, sulphides and anomalous multi-elements, with a significant structural zone intersected from 254m – 268m averaging 1.07g/t Au over the 14m intercept, including 3m @ 3.16g/t Au.

The Company faced changes in the legislation in the New Zealand impacting further exploration at the Neavesville project situated in the Hauraki Goldfield. The changes in the local legislations has made the Project not economically viable. In December 2018, the Company has surrendered the related mineral exploration permit (ELPM1767) to the New Zealand government and write off the related exploration and evaluation assets as of 31 December 2018.

The Directors continued to review a number of diverse investment opportunities during the period, that included but were not limited to precious metal projects. On 20 December 2018, E2 Metals Limited entered into a binding Share Purchase Agreement (“the Agreement”) to acquire 100% of Los Domos Pty Limited. Los Domos Pty Limited hold an 80% interest in its subsidiary Minera Los Domos S.A, which holds Santa Cruz and Rio Negro Mineral Permits in Argentina. The Company has met the condition precedent in the Agreement and completed the acquisition on 21 February 2019. The consideration was paid through the issuance of 15 million fully paid ordinary shares in E2 Metals Limited.

Significant changes in the state of affairs

In December 2018, the Company has surrendered the mineral exploration permit related to Neavesville project situated in the Hauraki Goldfield to the New Zealand government and write off \$788,027 of the exploration and evaluation assets as of 31 December 2018 related to this project.

On 20 December 2018, Todd Williams replaced Simon Peters as the Managing Director of the group. This resulted in the lapse of 2,250,000 Performance Rights previously granted to Simon Peters. On 20 December 2018, The group has granted 2,250,000 Performance Rights to Todd Williams.

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors



Todd Williams
Managing Director

12 March 2019

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF E2 METALS LIMITED**

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2018 there have been:

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

William Buck

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

N.S. Benbow

N.S. Benbow
Director

Dated this 12th day of March, 2019

**CHARTERED ACCOUNTANTS
& ADVISORS**

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E2 Metals Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018



	Consolidated	
	31 December 2018	31 December 2017
Note	\$	\$
Revenue		
Other income	-	4,758
Interest income	34,919	19,069
Expenses		
Administration expenses	(57,088)	(51,833)
Corporate expense	(213,231)	(71,959)
Employment expenses	(160,058)	(218,160)
Impairment of exploration assets	(788,027)	-
Lapse of performance rights	144,816	-
Loss before income tax expense	(1,038,669)	(318,125)
Income tax expense	-	-
Loss after income tax expense for the half-year attributable to the owners of E2 Metals Limited	(1,038,669)	(318,125)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	16,567	(22,661)
Other comprehensive income for the half-year, net of tax	16,567	(22,661)
Total comprehensive income for the half-year attributable to the owners of E2 Metals Limited	(1,022,102)	(340,786)
	Cents	Cents
Basic earnings/(loss) per share	7 (1.71)	(0.52)
Diluted earnings/(loss) per share	7 (1.71)	(0.52)

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 31 December 2018



	Consolidated	
	31 December	
Note	2018	30 June 2018
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,115,119	2,703,480
Trade and other receivables	36,453	27,784
Investments in term deposits	1,020,000	1,000,000
Prepayments	17,317	27,777
Total current assets	<u>3,188,889</u>	<u>3,759,041</u>
Non-current assets		
Exploration and evaluation	4 1,118,465	1,758,183
Security deposits	30,000	50,000
Total non-current assets	<u>1,148,465</u>	<u>1,808,183</u>
Total assets	<u>4,337,354</u>	<u>5,567,224</u>
Liabilities		
Current liabilities		
Trade and other payables	18,162	71,778
Employee benefits	272	10,108
Total current liabilities	<u>18,434</u>	<u>81,886</u>
Non-current liabilities		
Employee benefits	-	444
Total non-current liabilities	<u>-</u>	<u>444</u>
Total liabilities	<u>18,434</u>	<u>82,330</u>
Net assets	<u>4,318,920</u>	<u>5,484,894</u>
Equity		
Issued capital	8,381,747	8,381,747
Reserves	210,015	337,320
Accumulated losses	(4,272,842)	(3,234,173)
Total equity	<u>4,318,920</u>	<u>5,484,894</u>

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

E2 Metals Limited
Statement of changes in equity
For the half-year ended 31 December 2018



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

Consolidated	Issued capital \$	Shared based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	8,381,747	326,466	10,854	(3,234,173)	5,484,894
Loss after income tax expense for the half-year	-	-	-	(1,038,669)	(1,038,669)
Other comprehensive income for the half-year, net of tax	-	-	16,567	-	16,567
Total comprehensive income for the half-year	-	-	16,567	(1,038,669)	(1,022,102)
<i>Transactions with owners in their capacity as owners:</i>					
Vesting of performance rights issued	-	944	-	-	944
Lapse of performance rights	-	(144,816)	-	-	(144,816)
Balance at 31 December 2018	<u>8,381,747</u>	<u>182,594</u>	<u>27,421</u>	<u>(4,272,842)</u>	<u>4,318,920</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 half-year ended 31 December 2018



	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(493,305)	(242,061)
Interest received	34,919	19,069
Other income	-	4,743
Interest paid	(1,640)	(1,505)
	<u>(460,026)</u>	<u>(219,754)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for exploration and evaluation	(128,307)	(406,240)
Payment for term deposit	(20,000)	-
Proceeds from release of security deposits	20,000	-
	<u>(128,307)</u>	<u>(406,240)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(588,333)	(625,994)
Cash and cash equivalents at the beginning of the financial half-year	2,703,480	4,608,339
Effects of exchange rate changes on cash and cash equivalents	(28)	(22,669)
	<u>(588,361)</u>	<u>(648,663)</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>2,115,119</u></u>	<u><u>3,959,676</u></u>

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

Note 1. General information

The financial statements cover E2 Metals Limited as a consolidated entity consisting of E2 Metals Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is E2 Metals Limited's functional and presentation currency.

E2 Metals Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 12 March 2019.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

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

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments became effective beginning on or after 1 January 2018. Accordingly, the group applied AASB 15 and AASB 9 for the first time to the interim period ended 31 December 2018

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue and several revenue related interpretations. The new Standard has been applied as at 1 January 2018. There is no impact to the group's historical financial results given the company is not currently in production.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging and a new impairment model for financial assets. There has been no impact on the group's previously reported financial performance or financial position following the adoption of AASB 9.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment: Australasia. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews financial management accounts on a monthly basis. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Major customers

The consolidated entity does not have any customers.

Note 4. Non-current assets - exploration and evaluation

	Consolidated	
	31 December	30 June 2018
	2018	2018
	\$	\$
Exploration and evaluation	<u>1,118,465</u>	<u>1,758,183</u>

Movement in exploration and evaluation asset:

	Consolidated	
	31 December	30 June 2018
	2018	2018
	\$	\$
Opening balance - at cost	1,758,183	1,456,914
Capitalised exploration expenditure	128,307	335,523
Impairment	(788,027)	-
Exchange difference	<u>20,002</u>	<u>(34,254)</u>
	<u>1,118,465</u>	<u>1,758,183</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.

A review of the consolidated entity's exploration licenses was undertaken as at 31 December 2018 and due to the surrender of mineral exploration permit (ELPM1767) for the Neavesville project to the New Zealand government, write off of the exploration and evaluation assets as noted above has been booked.

Note 5. Contingent liabilities

The group had no contingent liabilities as at the date of this report.

Note 6. Events after the reporting period

E2 Metals Limited entered into a binding Share Purchase Agreement (“the Agreement”) to acquire 100% of Los Domos Pty Limited on 20 December 2018. Los Domos Pty Limited hold an 80% interest in its subsidiary Minera Los Domos S.A, which holds Santa Cruz and Rio Negro Mineral Permits in Argentina. The Company has met the condition precedent in the Agreement and completed the acquisition on 21 February 2019. The consideration was paid through the issuance of 15 million fully paid ordinary shares in E2 Metals Limited.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 7. Earnings per share

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Loss after income tax attributable to the owners of E2 Metals Limited	<u>(1,038,669)</u>	<u>(318,125)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>60,707,938</u>	<u>60,707,938</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>60,707,938</u>	<u>60,707,938</u>
	Cents	Cents
Basic earnings/(loss) per share	(1.71)	(0.52)
Diluted earnings/(loss) per share	(1.71)	(0.52)

Diluted earnings/(loss) per share

The potentially dilutive impact of performance rights and options has not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they are anti-dilutive as the consolidated entity has generated a loss for the year.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Todd Williams
Managing Director

12 March 2019

E2 Metals Limited

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of E2 Metals Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Responsibilities of the Directors for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

William Buck

William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136

A handwritten signature in blue ink, appearing to read 'N.S. Benbow'.

N.S. Benbow

Director

Dated this 12th day of March, 2019