

E2 Metals Limited

ABN: 34 116 865 546
ASX Code: E2M

Level 4, 100 Albert Road
South Melbourne VIC 3205
P: +61 3 9692 7222
F: +61 3 9077 9233
E: info@e2metals.com.au

Directors / Secretary

Melanie Leydin
Chair & Company Secretary

Todd Williams
Managing Director

Alastair Morrison
Non-Executive Director

Michael Sapountzis
Company Secretary

Issued Capital

75.7M fully paid ordinary shares

Drilling to Commence at Sierra Morena

25th March 2019

Highlights

- **Drill permits received for the Sierra Morena Project**
- **Rig mobilised to site and work to commence immediately**
- **Testing multiple priority targets at the Acid Sulphate Cap and SM6 Prospects**

E2 Metals Limited (**E2 Metals** or **Company**) advises that its Argentine subsidiary Minera Los Domos SA has received statutory drill permits to commence drilling at the Company's Sierra Morena Project in the Santa Cruz Province of Argentina. The Project is in the central western margin of the Deseado Massif geological province, some 400 kilometres north-northwest of the provincial capital Rio Gallegos, and is prospective for world-class epithermal gold-silver vein deposits like Goldcorp's Cerro Negro and AngloGold Ashanti's Cerro Vanguardia mines, (Figure 1).

The program will comprise approximately twenty Reverse Circulation drill holes totalling 2000m and will test priority targets at the Acid Sulphate Cap (**ASC**) and SM6 prospects, (Figure 2). A drill rig has been mobilised to site and work is expected to commence immediately.

The Acid Sulphate Cap (ASC) Prospect

The ASC prospect is a salient geological target and zone of intense epithermal clay alteration just 300m northeast of the Eastern Vein of the SM6 prospect. The alunite-kaolinite clay alteration outcrops over a length of 700m and is thought to be the geochemically 'barren' upper part of an epithermal system with potential for gold and silver veins at depth. The potential for blind veins is supported by recent Induced Polarisation (IP) data that shows a prominent vertical break and upward flaring conductive feature that may represent a prospective feeder structure (Figure 3).

The target is analogous to the Las Marianas-San Marcos veins at Cerro Negro, where exceptionally mineralised veins were discovered under a similar blanket of alunite-kaolinite alteration that is otherwise absent elsewhere in the district.

SM6 Prospects - Eastern and Western Vein Targets

The SM6 prospects contain two northwest orientated veins and associated breccia zones named the Eastern and Western Veins respectively. Both veins are mineralised at surface over a 500m cumulative strike and contain local high grades of up to 3240 gpt silver and 23.3 gpt gold. The company believes that the veins are the surface equivalent of what could be located beneath the ASC target and that the ASC and SM6 prospects are linked at depth.

The veins were drill tested by De Grey Mining (ASX: DEG) back in 2013 prior to them exiting Argentina, but the program was unsuccessful and failed to intercept the veins in all but one drill hole that yielded a downhole intercept of 1m at 5.5 gpt gold and 67 gpt silver from the Western Vein. An independent assessment of the historic drilling has shown that most of the holes were drilled parallel to the interpreted dip of the veins and therefore the program was ineffective. E2 Metals will instead test the veins from the opposite orientation and expand the drilling to conclusively test the entire strike of both veins on seven drill sections spaced 75m apart.

Managing Director Todd Williams commented *'We are excited to commence the inaugural drill program less than two months after finalising the acquisition of the Santa Cruz portfolio. On behalf of E2 Metals and Minera Los Domos SA, I would like to extend my gratitude to the local authorities, specifically Mining Secretary Guillermo Bilardo and Sub-secretary Leopoldo Klein for welcoming the Company to the Santa Cruz province and providing timely support for our drill program at the Sierra Morena project.'*

For enquiries please contact:

Todd Williams

Managing Director

Ph: + 61 3 9692 7222

Competent Person's Statement

The information in this announcement that relates to the Santa Cruz Gold Projects, owned by Circum Pacific is based on information compiled and fairly represented by Circum Pacific and Benjamin Nicolson. Benjamin visited the Santa Cruz Gold Project in April-May 2018. Benjamin Nicolson is a Member of the Australian Institute of Geoscientists (AIG) and is a consultant to the company. Benjamin Nicolson has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he has undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results. Benjamin Nicolson consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

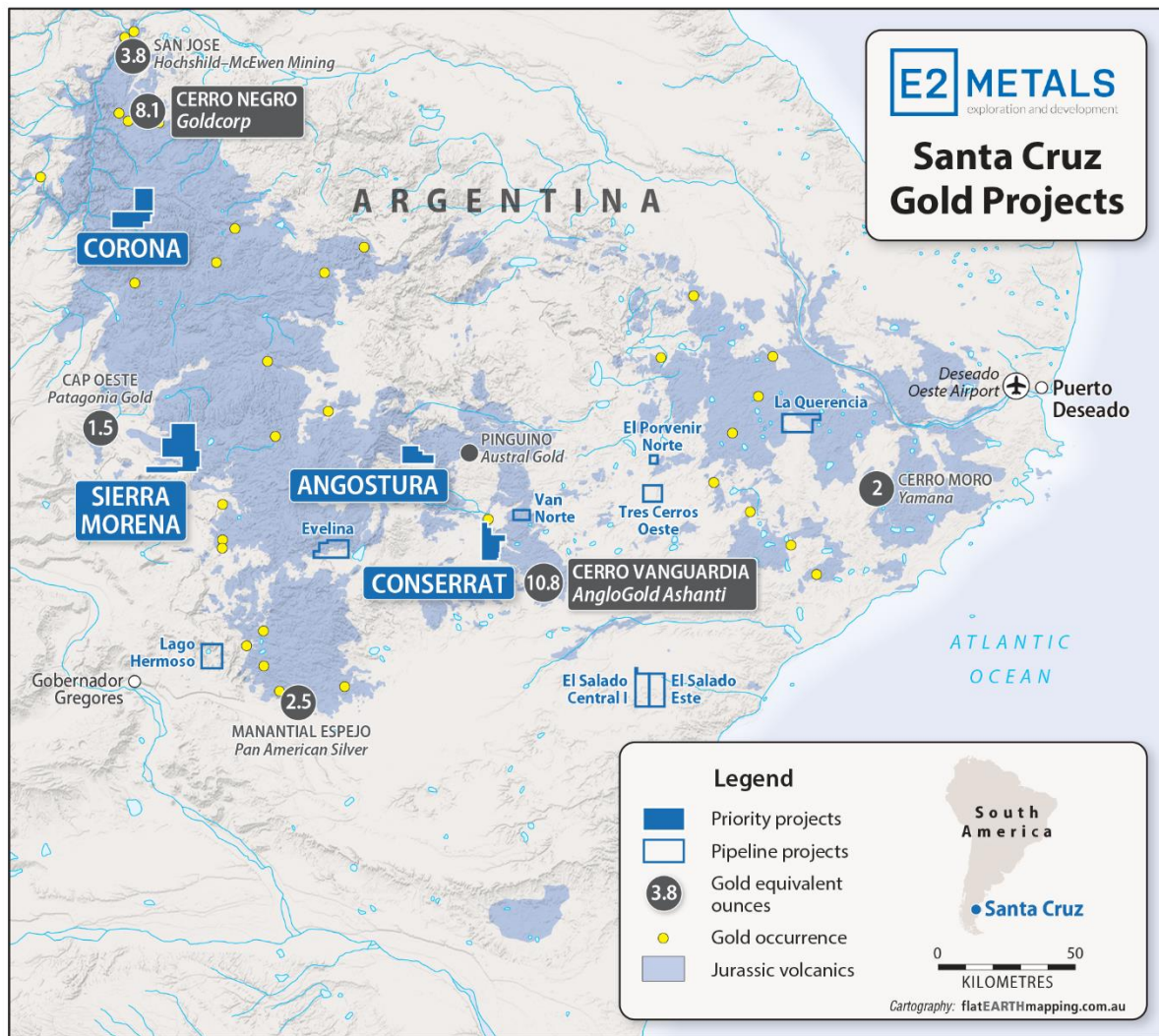


Figure 1: Location of Sierra Morena Project

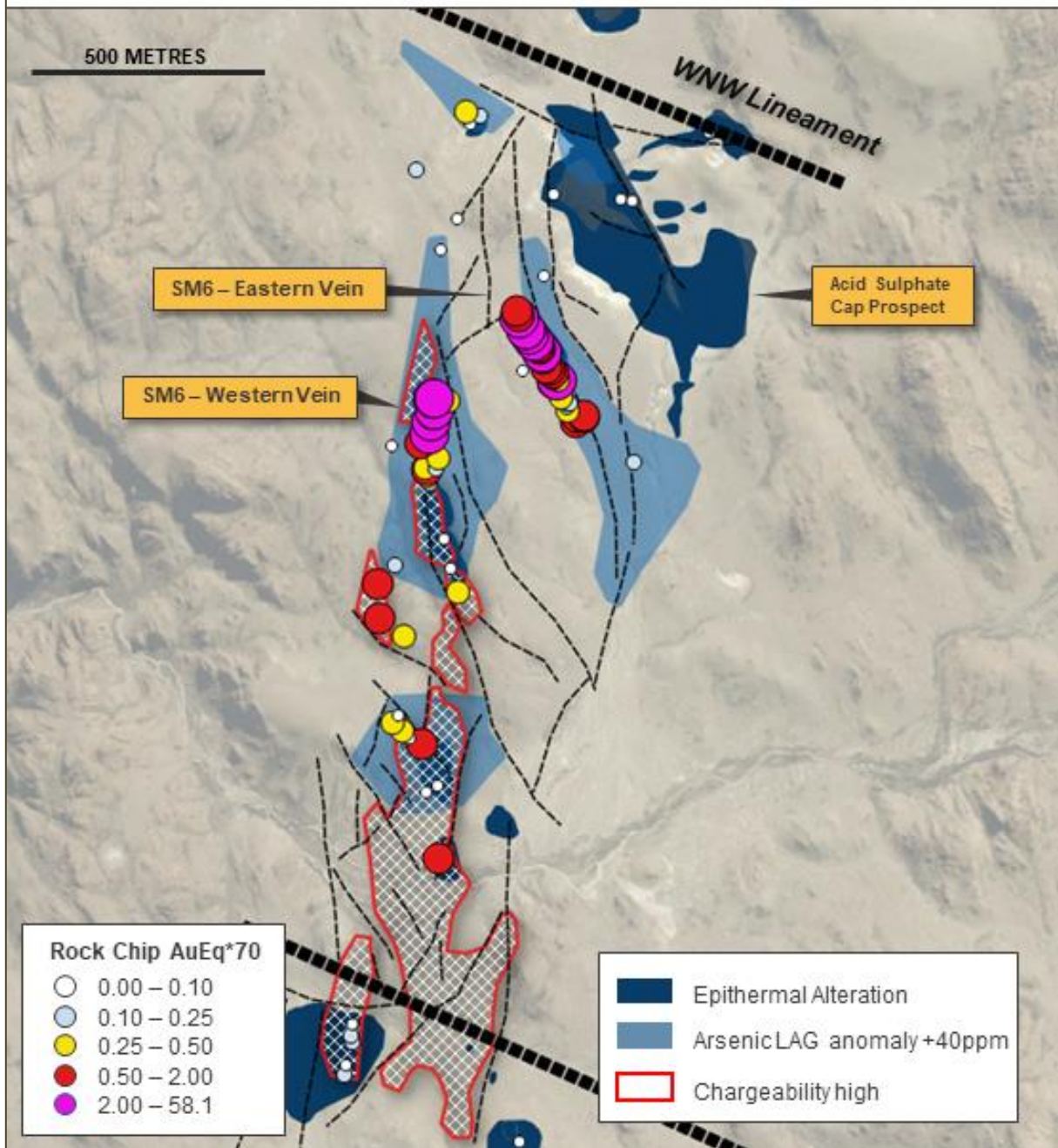


Figure 2: Location of the Acid Sulphate Cap and SM6 prospects

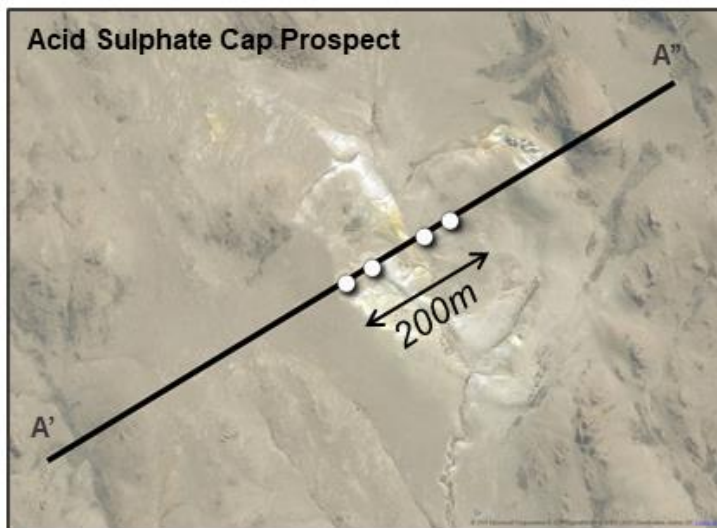
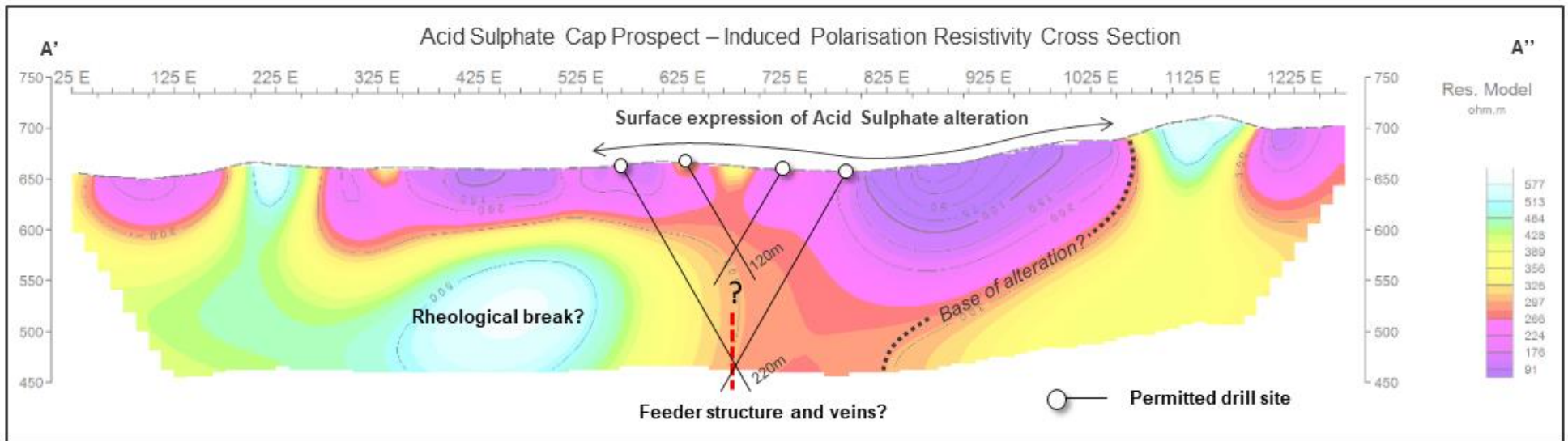


Figure 3: IP resistivity section beneath the Acid Sulphate Cap prospect showing a prominent vertical break interpreted as the feeder structure and possible host of epithermal veins at depth. The upward flaring orange-purple (conductive) feature is interpreted to be a sub-surface zone of intense clay alteration related to the Acid Sulphate alteration observed at surface. Four drill sites and two scissors are permitted.

Table 1: JORC Code Reporting Criteria

Section 1 Sampling Techniques and Data

Criteria	JORC Code Explanation	Commentary
<p>Sampling Techniques</p>	<ul style="list-style-type: none"> Nature and quality of sampling (e.g. cut channels, random chips, or specific specialized industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. 	<p>De Grey Mining Limited (ASX: DEG) explored the Sierra Morena Project during the period 2011 to 2013. During this time 316 drainage BLEG, 860 coarse fraction LAG, 68 float rock, 209 rock, 35 trench and 1441 diamond core samples were submitted for analysis. Sample methodology for the coarse fraction LAG samples is not publicly available.</p> <p>Sample methodology for the stream samples is stated in the De Grey ASX announcement on the 9th of June 2011. Samples were analyzed by ACME Analytical Laboratories, Mendoza, Argentina. ICP Mass Spectrometer analysis of 30g sample split from original 500g sample after Aqua Regia digestion for ultra-low determinations. Basic suite of elements consisted of 37 elements.</p> <p>Sample methodology for rock, trench and float samples are stated in the De Grey ASX announcement on the 21st of May 2012. Samples were analysed by ALS Mineral Laboratories (ALS), Mendoza, Argentina. ICP Mass Spectrometer analysis of 30g sample split from original 500g sample after Aqua Regia digestion for ultra-low determinations. The element suite consists of 51 elements. Samples that returned >10gpt Au were re-assayed using a 30g Fire Assay with gravimetric finish. Samples that returned >100gpt Ag were re-assayed using aqua regia with AAS finish. Samples that returned >15000gpt Ag were re-assayed using 30g Fire Assay with gravimetric finish.</p> <p>Sample methodology for drill core samples are provided in the De Grey ASX announcement on the 23rd of January 2013. Samples were analyzed by ALS, Mendoza, Argentina. Au was analyzed using fire assay and AAS finish of a 30g nominal sample weight. Ag and all other elements (33) were analyzed using aqua regia digestion with ICP-AES finish.</p> <p>During the period between April to May 2018 Circum Pacific complete a gradient array and an Induced Polarisation (IP) geophysical survey at the Sierra Morena. The data was acquired by Geofisica Argentina S.A. using</p>

Criteria	JORC Code Explanation	Commentary
		pole-dipole (P-DP) surveys with short 50m dipoles and n-10 or n-20 dipole separations, and 1500m bipole gradient arrays, which is suited to the detection of low-sulphidation vein targets. The data acquisition employed a 0.125 Hz time-domain 'box car' transmitter waveform. The receiver set-up employed 20 arithmetically spaced channels of 80 ms which follow 240 ms delay.
Drilling Techniques	<ul style="list-style-type: none"> • Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	During 2012 to 2013 De grey complete 16 diamond core holes totaling 3213m at the Sierra Morena Project. Holes were drilled by Energold and Goland using a 'S2' and 'Boart Longyear LF90D N1' rig respectively. All holes were dimensions of HQ reducing to NQ at depth. Holes were surveyed for downhole inclination and azimuth using a REFLEX tool.
Drill Sample Recovery	<ul style="list-style-type: none"> • Method of recording and assessing core and chip sample recoveries and results assessed. • Measures taken to maximise sample recovery and ensure representative nature of the samples. • Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	Sample quality is documented on the drill logs when compromised, no other record of sample quality is recorded. This news release makes specific reference to a significant intercept of 1m @ 5.56 gpt Au and 67 gpt Ag for drill hole SM-12-06 located at the SM6 prospect, Sierra Morena Project. The hole was collared in December 2012 but re-entered by De Grey in April 2013. The mineralized sample was collected at downhole interval 127.8 to 128.8m and the core recoveries for this section are stated to be 100%.
Logging	<ul style="list-style-type: none"> • Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. • The total length and percentage of the relevant intersections logged. 	No JORC Mineral Resource Estimate exists for any of the Santa Cruz or Rio Negro gold projects Downhole lithology logs for the Sierra Morena drilling is qualitative in nature and records include a description on the geology, alteration and mineralization include relative percentages of sulphide minerals De Grey logged all diamond drill holes from top-of-hole to bottom-of-hole
Sub-Sampling Techniques and Sample Preparation	<p>If core, whether cut or sawn and whether quarter, half or all core taken.</p> <ul style="list-style-type: none"> • If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. 	Selected intervals were sampled by De Grey. Core in these intervals was cut and half core samples submitted. Not applicable

Criteria	JORC Code Explanation	Commentary
	<ul style="list-style-type: none"> Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	
Quality of Assay Data and Laboratory Tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established. 	<p>All core samples submitted by De Grey for the Sierra Morena project were analysed by aqua regia digestion with ICP-AES finish. Aqua regia digestion is limited in determining the acid leachable portion of the elements. Au was by fire assay which is appropriate for quantitative analyses of elemental Au concentrations. Drill core batches were submitted with a Duplicate, Standard and Blank samples every 20, 25 and 35 samples.</p> <p>Rock samples submitted by Circum Pacific were all analysed by four acid digest and ICP-MS which is the most robust analytical method for full digestion and qualitative analyses of multi-element concentrations.</p>
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<p>Historic surface and drill core sampling collected by De Grey at Sierra Morena have not been validated because the sample methodology is well documented, and all data was verified by De Grey with their internal QAQC programs.</p>
Location of Data Points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<p>Sample locations and drill hole collars at Sierra Morena are referenced by De Grey using the datum Campo Inchauspe Zone 2. Sample locations by IAMGOLD, Hochschild and Circum Pacific are referred in Datum WGS84 UTM Zone 19S.</p>
Data Spacing and Distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	<p>Ground LAG samples at the Sierra Morena project were collected on 200m spaced lines and on 50m sample centers. This sample spacing is considered appropriate for defining corridors of elevated arsenic that correlate to structures with known outcropping veins.</p> <p>IP traverses were complete on 200m line spacing at the SM6 prospect, Sierra Morena Project, and is appropriate for first phase of drill planning in a prospect area. Prospects at Angostura or Corona where reconnaissance IP traverses were complete to determine the subsurface response of areas with limited outcrop a standard line spacing of 400 to 500m was utilized.</p>

Criteria	JORC Code Explanation	Commentary
Orientation of Data in Relation to Geological Structure	<ul style="list-style-type: none"> • Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. • If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	All Induced Polarisation and gradient array geophysical surveys conducted by Circum Pacific were undertaken perpendicular to the observed fabric of the geology and structures. Geochemical sampling of outcropping veins is selective, and samples are collected on equal spacing along the trace of the vein where outcrop is exposed.
Sample Security	<ul style="list-style-type: none"> • The measures taken to ensure sample security. 	All surface rock chip samples collected by Circum Pacific were shipped directly from the field to the laboratory.
Audits or Reviews	<ul style="list-style-type: none"> • The results of any audits or reviews of sampling techniques and data. 	Circum Pacific collected duplicate samples of the IAMGOLD rock samples and demonstrated that the surface gold, silver and arsenic values for the Conserrat and Corona project are accurate and repeatable.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section)

Criteria	JORC Code Explanation	Commentary
Mineral Tenement and Land Tenure Status	<ul style="list-style-type: none"> • Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. • The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area. 	<p>All the Santa Cruz and Rio Negro titles are owned 100% by Minera Los Domos S.A., a private company incorporated in Argentina. E2 Metals Limited through its Australian holding company Los Domos Pty Ltd owns 80% of Minera Los Domos.</p> <p>Sierra Morena Project titles</p> <ul style="list-style-type: none"> • 430.269/MS/14 • 430.270/MS/14
Exploration Done by Other Parties	<ul style="list-style-type: none"> • Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> • 2011 to 2013: De Grey conducted detailed surface geochemistry, a CSAMT geophysical survey at Sierra Morena. • 2017 to 2018: Circum Pacific conducted IP and gradient array geophysical programs at Sierra Morena.
Geology	<ul style="list-style-type: none"> • Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> • Gold and silver mineralisation is associated with quartz & carbonate vein deposits classified in geological literature as Low-Sulphidation Epithermal. • The projects are in the Deseado Massif geological terrane, which is a 60,000km² crustal block in southern Argentine Patagonia that host numerous low-sulphidation, epithermal precious metal deposits that are spatially and genetically related to Jurassic volcanic rocks.
Drill Hole Information	<ul style="list-style-type: none"> • A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> ○ Easting and northing of the drill hole collar ○ Elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar ○ Dip and azimuth of the hole ○ Down hole length and interception depth ○ Hole length <p>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</p>	<p>This news release makes specific reference to a significant intercept of 1m @ 5.56 gpt Au and 67 gpt Ag for drill hole SM-12-06 located at the SM6 prospect, Sierra Morena Project. The hole was collared (4687249E, 2418065N; Datum Campo Inchauspe Zone 2; RL 664m) in December 2012 but re-entered by De Grey in April 2013. The stated azimuth is 270 and inclination is -60. The hole was terminated at 191m depth.</p>
Data Aggregation Methods	<ul style="list-style-type: none"> • In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be 	<p>The only drill hole intercept reported in this news release was from a single sample for a 1m interval.</p>

Criteria	JORC Code Explanation	Commentary
	<p>stated.</p> <ul style="list-style-type: none"> • Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated. 	
Relationship Between Mineralisation Widths and intercept lengths.	<ul style="list-style-type: none"> • These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg “down hole length, true width not known”). 	<p>Drill hole SM-6-12 was collared on the eastern side of a westerly dipping vein and therefore it is probable that the drill hole intersected the vein at a low angle that would exaggerate the true thickness. The true thickness cannot be estimated without downhole structural data for the vein contact.</p>
Diagrams	<ul style="list-style-type: none"> • Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	
Balanced Reporting	<ul style="list-style-type: none"> • Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<p>For simplicity gold and silver values are reported on a gold equivalent basis. Gold equivalent values are calculated as $AuEq = Au + Ag / 70$</p>
Other Substantive Exploration Data	<ul style="list-style-type: none"> • Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	
Further Work	<ul style="list-style-type: none"> • The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling). • Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	