

E2 Metals Limited

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ASX Code: E2M

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Directors / Secretary

Melanie Leydin
Chair & Company Secretary

Todd Williams
Managing Director

Alastair Morrison
Non-Executive Director

Issued Capital

91.9M fully paid ordinary shares

June 2019 Quarterly Report

26 July 2019

E2 Metals Limited (**E2 or the Company**) is pleased to present the quarterly report for the period ending 30 June 2019.

Highlights

- Argentine subsidiary Minera Los Domos granted statutory permits to commence drill testing of priority gold and silver targets within the Conserrat Project (**Conserrat**), located in the mining friendly Santa Cruz province.
- Field work to commence in Q3 2019 after the winter break and will comprise a regional trench program followed by drilling.
- Completion of the first drill program at the Sierra Morena project (**Sierra Morena**). Results validated the project's gold and silver potential with multiple intercepts in shallow drilling at the SM6 - Eastern and Western Vein prospects. Intercepts included:
 - **SMRC-02**: 12m at 0.33gpt gold and 64.3gpt silver from 30m downhole
 - **SMRC-10**: 2m at 2.34gpt gold and 4.5gpt silver from 14m downhole
 - **SMRC-13**: 1m at 2.14gpt gold and 27.5gpt silver from 23m downhole
 - **SMRC-15**: 4m at 0.73 gpt gold and 98.4 gpt silver from 28m downhole
- The work has confirmed the dip and geometry of outcropping vein targets and indicates the potential for high-grade targets at depth and/or along strike
- Non-brokered placement of 15.4M shares to professional and sophisticated investors raised \$2.39M. The Company is fully funded to execute the next phase of exploration with \$3.9M cash as of 30 June 2019.

Santa Cruz Projects, Argentina

During the June 2019 quarter the Company focused on advancing its Santa Cruz gold and silver projects in Argentina (Figure 1) with the objective to:

- Complete the first reconnaissance drill program at the **Sierra Morena** project
- Permit priority targets at **Conserrat** for trenching and drilling in 2H 2019

The Santa Cruz projects are held 80% by E2 and are prospective for multi-million-ounce gold and silver epithermal vein deposits.

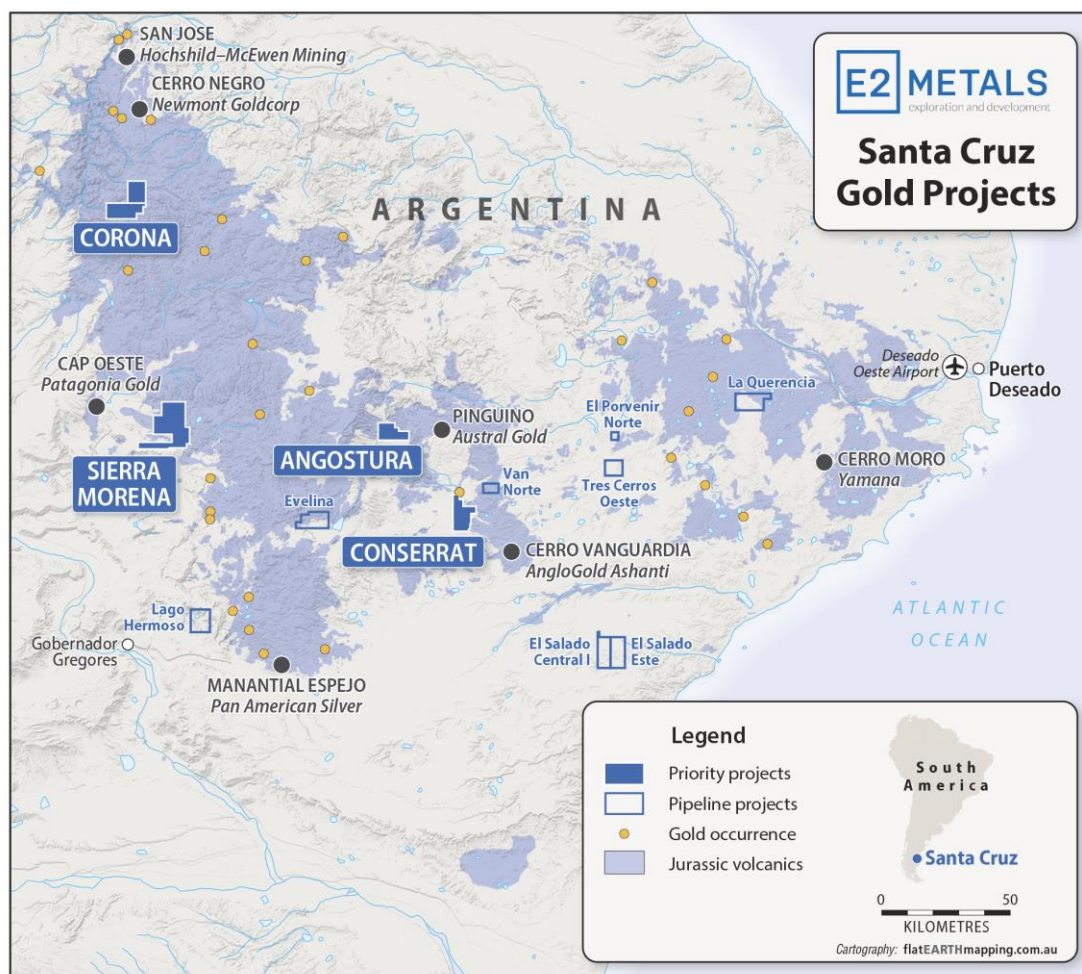


Figure 1: Location of Santa Cruz projects

Conserrat Project

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

¹ Mirasol Resources Ltd Corporate Presentation, September 2018

The Conserrat project was first held by IAMGOLD in the early 2000's who did very little work prior to exiting Argentina. Systematic exploration did not commence until December 2018 when E2 acquired the project. Initial work has confirmed the project's potential to host gold and silver mineralised veins similar to Cerro Vanguardia, with rock chip sampling at the Veta Blanca prospect returning up to 7.46 gpt gold and 7510 gpt silver from a zone of parallel epithermal veins 250m long and 75m wide².

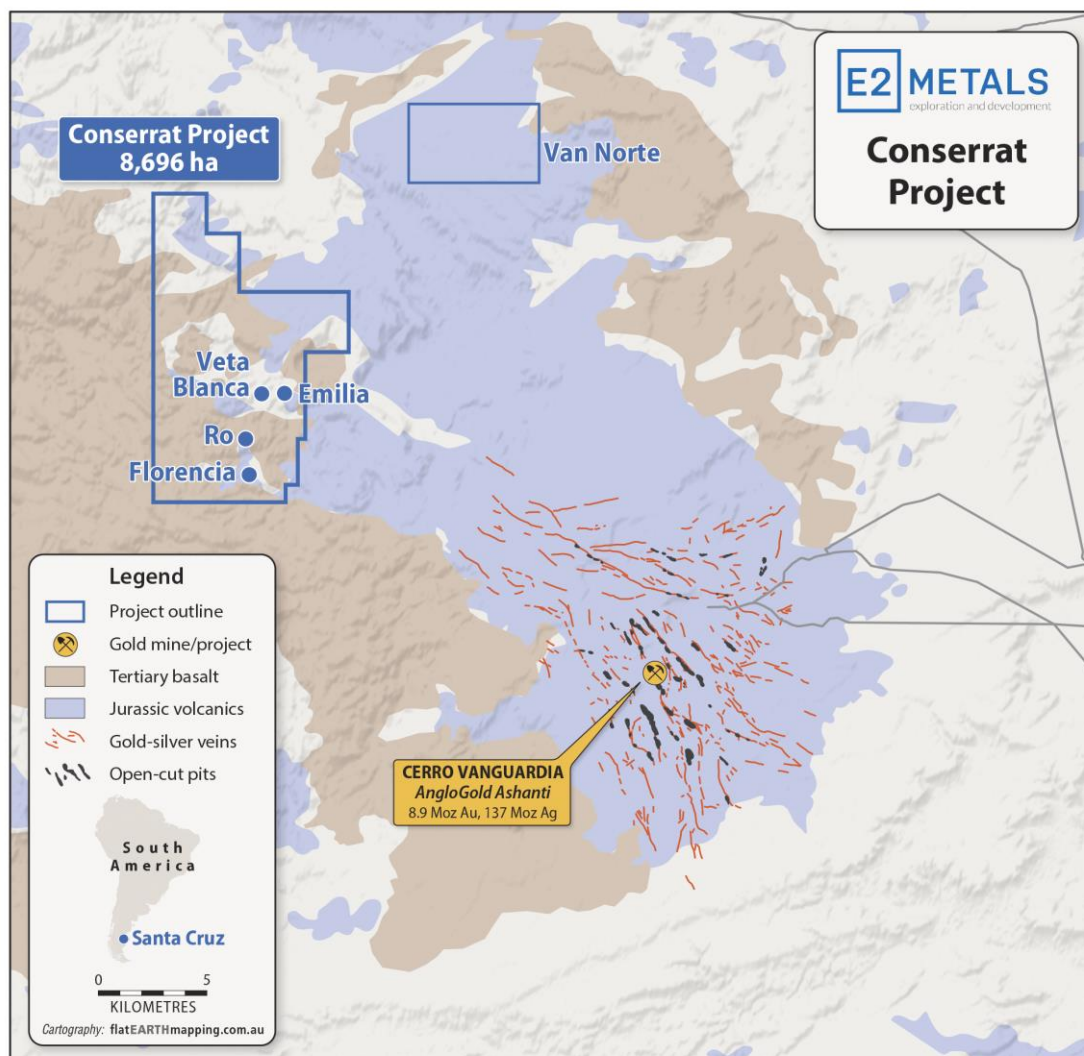


Figure 2: Conserrat Project

Follow up soil sampling has validated the scale of the vein targets at Veta Blanca and shown it to be associated with a 2km long coherent soil anomaly with up to 305 ppb gold and 10.1 gpt silver, coincident with high arsenic and antimony³. Additional first-order anomalies were also defined at the Ro (up to 165 ppb gold) and Florencia (up to 112 ppb gold) prospects located 2km and 3km to the south respectively. All prospects occur within 'erosional windows' of Tertiary basalt that are younger than the Jurassic Chon Aike volcanic rocks and partially conceal the vein system. It is therefore possible that the prospects may form part of a single vein system like the nearby Cerro Vanguardia vein field.

² E2 Metals ASX Announcement, 7 February 2019, High-Grade Rock Chip Samples at Veta Blanca Prospect

³ E2 Metals ASX Announcement, 27 February 2019, Surface LAG Geochemistry Expands Veta Blanca Targets

This concept was tested by a 16km² Gradient Array Induced Polarisation (GAIP) geophysical survey to assist in mapping the subsurface extent of the veins (resistivity) and their associated alteration halos (chargeability) beneath the Tertiary basalt. The results of this survey show all prospects to be associated with resistive and chargeable lineaments that extend beyond the 'erosional windows' and trend under basalt cover for up to several kilometres. This includes lineaments that are parallel to known veins but are completely blind and represent concealed targets⁴.

During June 2019, E2's Argentine subsidiary Minera Los Domos SA (MLD) submitted an Environmental Impact Study (EIS) to conduct trenching and drilling at all priority targets. Statutory permits were granted and announced in early July 2019⁵ along with plans to commence work in Q3 2019 after the winter break. The program will include an approximate 4000m trench program followed by drilling. Trenching is planned to be completed on 100m spaced lines over priority gold and silver soil anomalies to expose potential veins beneath less than 1m of soil cover. Exposed veins will be sampled and prioritised for drilling.

Sierra Morena Project

The **Sierra Morena** Project (Figure 3) is located in the central western margin of the Deseado Massif geological province, some 400km north-northwest of the provincial capital Rio Gallegos. The project comprises two titles totalling 19,676 hectares and is host to epithermal vein prospects centred 30km east of the El Tranquillo gold and silver district. El Tranquillo is a single alteration and vein system that hosts Pan American Silver's (TSX: PAAS) COSE and Patagonia Gold's (LSE: PGD) Cap Oeste gold and silver projects with total historical and current resources estimated to be 1.14 million ounces gold and 32.5 million ounces silver⁶. This includes the Cap-Oeste heap leach mine that is currently on care and maintenance and the new underground development at COSE where high grade ore will be transported 180km to Pan American Silver's Manantial Espejo processing plant.

Exploration to date at Sierra Morena has defined outcropping gold and silver veins at the SM6 – Eastern and Western Vein prospect. During March-April 2019 the Company completed an initial 1903m Reverse Circulation (RC) drill program to test approximately 500 metres cumulative strike of veins at SM6 as well as to conduct reconnaissance scout drilling at the Acid Sulphate Cap prospect (ASC) and Southern Project Area.

Eleven holes totalling 1022m were drilled at the **Eastern Vein** prospect (Figure 4). All holes intercepted a broad gold and silver mineralised vein system at shallow depths and over a strike length of 160m. Drilling stopped at the limit of the outcropping vein and mineralisation is open to the southeast. Hole **SMRC-02** returned the broadest intercept of 12m at 0.33 gpt gold and 64.3 gpt silver from 32 metres, including 1m at 0.46 gpt gold and 204 gpt silver. Gold dominated veins assaying up to 3.47gpt gold over 1 metre are associated with narrow intensely silicified vein breccias with low sulphide content, whereas silver rich veins assaying up to 224 gpt silver over 1 metre are associated with unoxidized 'black silica' sulphide alteration. The black sulphide is interpreted to be fine-grained acanthite (a silver mineral) which was recorded by De Grey Mining Limited (De Grey) in historical drill holes⁷.

Hole **SMRC-21** was drilled 140 metres southwest of the Eastern Vein (see Figure 4) and intercepted a 'blind' vein with no outcrop that returned 1m at 0.16 gpt gold and 61.3 gpt silver from 46m, highlighting the potential for additional mineralised trends.

⁴ E2 Metals ASX Announcement, 27 March 2019, Geophysics Identifies Vein Targets at the Conserrat Project

⁵ E2 Metals ASX Announcement, 2 July 2019, Conserrat Drill Permits

⁶ Source for the Cap-Oeste resource estimate is the Patagonia Gold website - <http://www.patagoniagold.com/projects/el-tranquilo/>
Source for the COSE resource estimated is the SEDAR filing by Pan American Silver on August 9, 2017

⁷ Unpublished report January 2013, Greg Corbett, Comments on the Sierra Morena Exploration Project, Argentine Patagonia

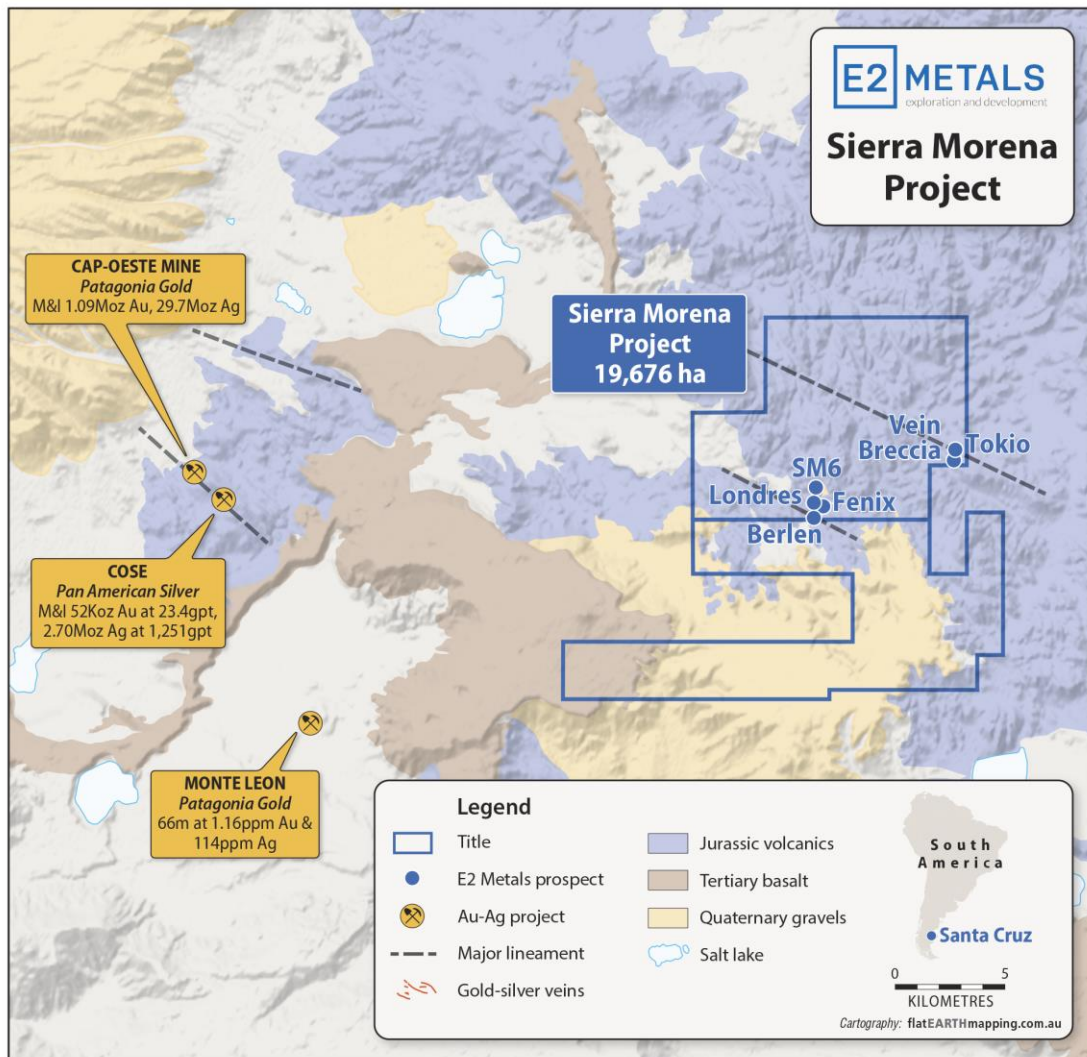


Figure 3: Sierra Morena Project

Five holes totalling 339m were drilled at the **Western Vein** to follow up on two deep drill holes completed by De Grey during 2012 and 2013 (Figure 4). Both historical holes intercepted the outcropping vein at vertical depths ranging from 110m to 170m below the surface with **SM-12-06** returning 1m at 5.56 gpt gold and 67 gpt silver⁸.

The E2 drilling intercepted the Western Vein at shallow depths confirming the Company's interpretation of a westerly dipping orientation of the vein. The northernmost hole **SMRC-15** returned 1m at 1.45 gpt gold and 198 gpt silver from 29m and is open to the north. This was within a broader zone of 4m at 0.73 gpt gold and 98.4 gpt silver from 28m. From limited drilling, gold appears to be increasing at depth.

A single hole **SMRC-23** was drilled in the Southern Project Area to test a prominent ridge of intense silicification within a broader outcrop of white argillic alteration. This hole returned 22m at 0.12 gpt gold and 6.8 gpt silver from surface, including 1m at 0.35 gpt gold and 31.4 gpt silver from 19 metres. The hole was located over 1km south of the southernmost hole drilled at the Western Vein prospect, highlighting the potential for the discovery of additional mineralisation in the Southern Project Area where there has been little historical exploration.

⁸ De Grey ASX Announcement 26 June 2013, successful early phase drilling program confirms gold and silver epithermal system at SM6

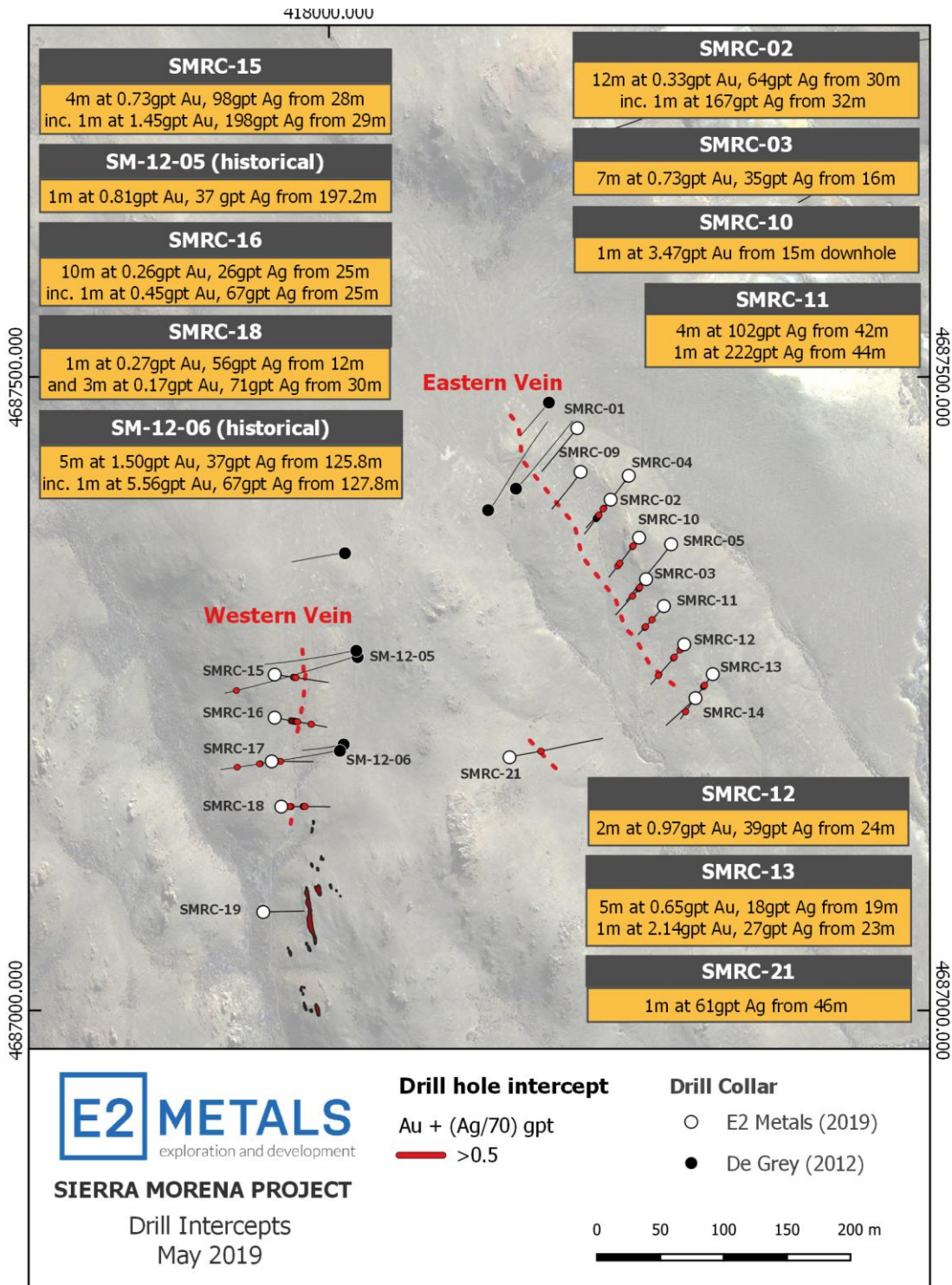


Figure 4: Sierra Morena SM6 drilling and key intercepts

To further assess this potential, the Company extended the historical soil coverage from the southern terminus of the SM6 prospects a further 1600m south into the Southern Project Area to investigate the potential for additional gold and silver mineralised trends within the unexplored area of Chon Aike volcanic rocks. Results for the program have been received and interpretation is ongoing.

Drilling at the ASC prospect was reconnaissance in nature and did not return significant gold or silver intercepts, although hole **SMRC-20** intercepted a zone of intense epithermal clay alteration from 100m, demonstrating further potential for additional blind veins.

Future work will seek to resolve if the broad and low-grade mineralisation intercepted at Sierra Morena to date presents a specific target type (i.e. rhyolite dome hosted mineralisation) prospective for larger tonnage heap leach operation like Cap-Oeste, or whether the diffuse veinlet and stockwork systems represent the upper part of the epithermal system with potential for improved grades at depth or along strike. One possible target analogue is the nearby COSE vein which is pertinent to Sierra Morena because it starts at surface as a diffuse vein system with strong silver anomalism (around 0.3gpt gold and 100gpt silver) before passing downward into high grade gold and silver mineralisation from 130m below the surface.

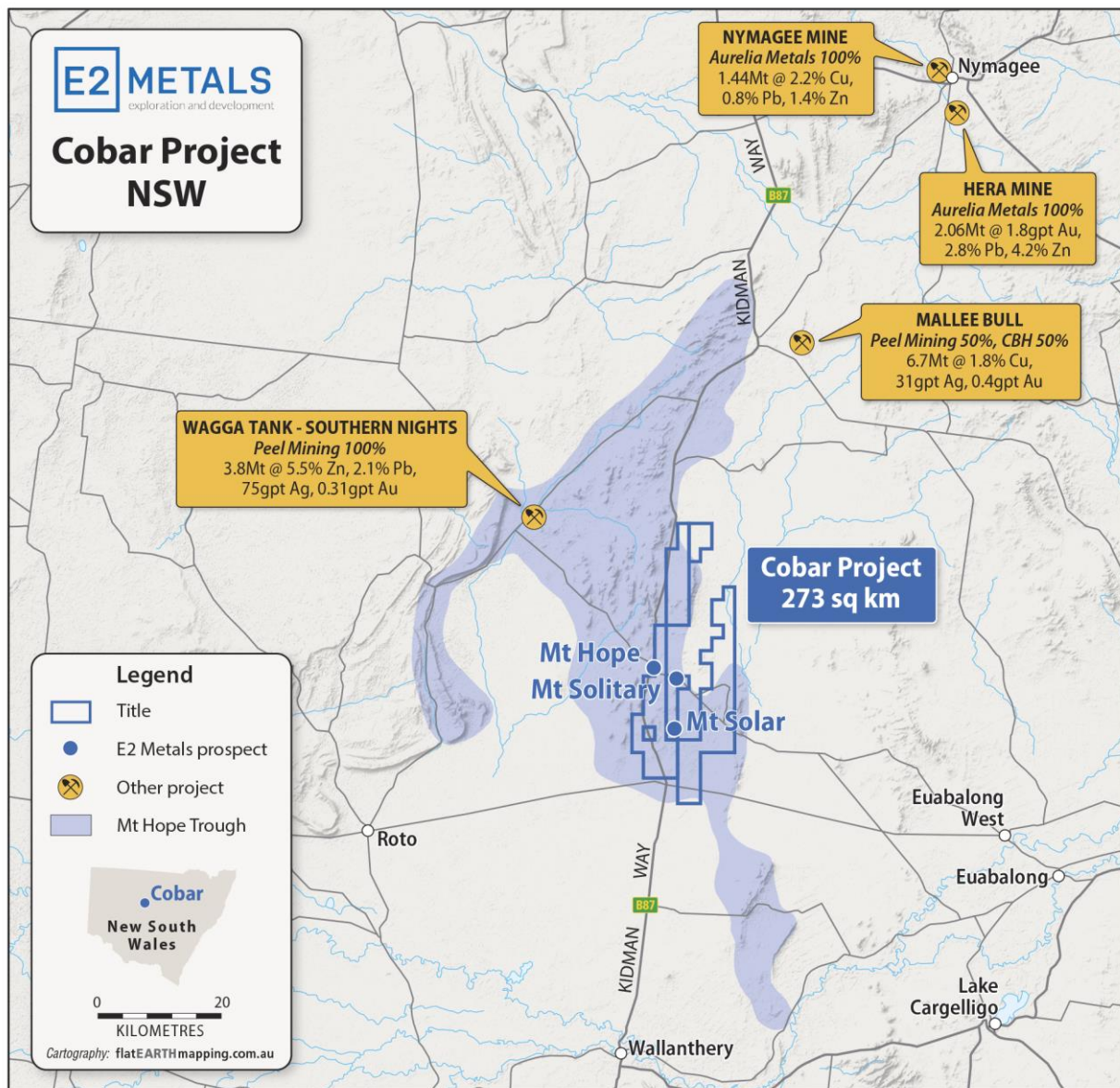


Figure 5: Cobar Project, New South Wales

Mount Hope Project, Cobar Superbasin

E2 holds a 100% interest in a strategic 273km² land package over the historic Mount Hope copper gold district located in the Cobar Superbasin, New South Wales (Figure 5). The Cobar Superbasin is one of the pre-eminent polymetallic districts in Australia and is prospective for high grade lead, zinc, copper and precious metal deposits. It is host to two emerging discoveries at Peel Mining's (ASX: PEX) Wagga Tank - Southern Nights and Aurelia Metals (ASX: AMI) Federation prospects.

Southern Nights is located on the southwestern margin of the Cobar Superbasin within a geological domain of marine sedimentary and volcanic rocks collectively known as the Mount Hope Trough. The discovery was announced during November 2018 and has since advanced to a maiden resource of 3.8Mt @ 5.5% zinc, 2.1% lead, 75gpt silver, 0.27% copper and 0.31gpt gold⁹. Mineralisation is distinct from other deposits in the Cobar region in that the alteration and mineralogy is more comparable to volcanic hosted massive sulphide (VHMS) deposits and therefore represents a new target type for the Mount Hope region. Potential exists for similar discoveries within E2's portfolio given the similar geological setting and relative proximity being only 30km to the southeast.

Aurelia Metals announced an additional discovery in the Cobar region in May 2019 at the Federation prospect where drilling intercepted high-grade polymetallic lead and zinc mineralisation¹⁰ located 10km south of the Hera mine. Limited drilling to date has returned 26m at 6.3% lead, 10.1% zinc, 0.3% copper from 500m.

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

Corporate

During the quarter the Company completed a non-brokered placement of 15.4M shares at 15.5 cents to raise just over \$2.39M. The new shares were within the Company's placement capacity under ASX Listing Rule 7.1 and 7.1A. The funds raised will be used to accelerate exploration the Company's Conserrat Project including the first drill program. The company held \$3.9M cash as of 30 June 2019.

The Company farewelled Michael Sapountzis who resigned as Joint Company Secretary on 19 July 2019 to pursue another career opportunity. The Board would like to thank Mr. Sapountzis for his contributions to the Company during his tenure and wishes him all the best in his new role. Melanie Leydin will continue as sole Company Secretary.

Upcoming Plans for the September 2019 Quarter

Over the next quarter the Company will aim to:

- Mobilise a field team and camp to the Conserrat Project in August
- Commence a 4000m regional trench program to test priority soil targets at the Veta Blanca, Emilia, Ro and Florencia prospects; and
- Define final targets for the first drill program

⁹ Peel Mining ASX announcement, 18 July 2019, Noosa Mining Conference Investor Presentation

¹⁰ Aurelia Metals ASX announcement, 6 May 2019, Discovery at Federation prospect south of Hera

For enquiries please contact:

Todd Williams
 Managing Director
 Ph: + 61 3 9692 7222

E2 Metals Tenement Holding Summary

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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

E2 Metals Limited

ABN

34 116 865 546

Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(882)	(1,547)
(b) development	-	-
(c) production	-	-
(d) staff costs	(80)	(314)
(e) administration and corporate costs	(167)	(429)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	61
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 GST refund	-	-
1.9 Other (provide details if material)	-	-
1.10 Net cash from / (used in) operating activities	(1,115)	(2,229)

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Cash acquired from the acquisition transaction	-	7
2.6 Net cash from / (used in) investing activities	-	(57)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	2,399	2,399
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	136	137
3.4 Transaction costs related to issues of shares, convertible notes or options	(15)	(15)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (interest on borrowings)	-	-
3.10 Net cash from / (used in) financing activities	2,520	2,521

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,520	3,704
4.2 Net cash from / (used in) operating activities (item 1.10 above)	(1,115)	(2,229)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(57)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,520	2,521

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(1)	(15)
4.6	Cash and cash equivalents at end of period	3,924	3,924

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,924	2,520
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (funds held on trust)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,924	2,520

6. Payments to directors of the entity and their associates

- | | Current quarter
\$A'000 |
|-----|------------------------------------|
| 6.1 | 85 |
| 6.2 | - |
| 6.3 | |

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2
- Payment of \$60K for Directors' fees during the quarter
 - Payment of \$25K to Leydin Freyer Corp, an associated entity of Ms Melanie Leydin, for CFO and company secretarial fees during the June 2019 quarter

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

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

-

Mining exploration entity and oil and gas exploration entity quarterly report

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

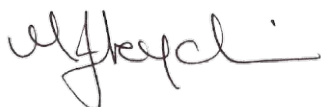
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	306
9.2 Development	-
9.3 Production	-
9.4 Staff costs	90
9.5 Administration and corporate costs	70
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	466

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

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

Sign here:



Date: 26 July 2019

Company Secretary

Print name:

Melanie Leydin

Notes

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