

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

September 2019 Quarterly Report

28 October 2019

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

Highlights

- Exploration at the Company's Santa Cruz gold projects was on hold for the first part of the quarter due to the winter field break.
- Work re-commenced in August at **Conserrat** located adjacent to AngloGold Ashanti's Cerro Vanguardia mine.
 - A first phase trench program comprising 39 trenches for 3533 m has been completed to expand the strike of known veins and host structures in areas of cover.
 - Results for 576 trench samples received to date have confirmed mineralised structures at Veta Blanca, Veta Blanca West and Melisa. Trenching at Ro and Florencia prospects is ongoing, as well as trench infill of recently announced positive results.
 - A second phase of geophysics has been completed for new targets defined from the trench program. The program included a regional CSAMT survey and an infill Induced Polarisation (IP) survey.
 - Targets for the maiden drill program will be defined following the receipt of all new trench and geophysical data. **Drilling is planned to start in early November.**
- Results were announced for the regional soil program completed during the end of last season at the **Sierra Morena** project.
 - Four priority targets defined in the Southern Project Area associated with the prospective Chon Aike volcanic rocks.
 - Additional targets identified as the southern extension of gold and silver mineralised veins at the SM6 prospect, with precious metal anomalism increasing to the south.
- The company held \$3.34M cash as of 30 September 2019.

Santa Cruz Projects, Argentina

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

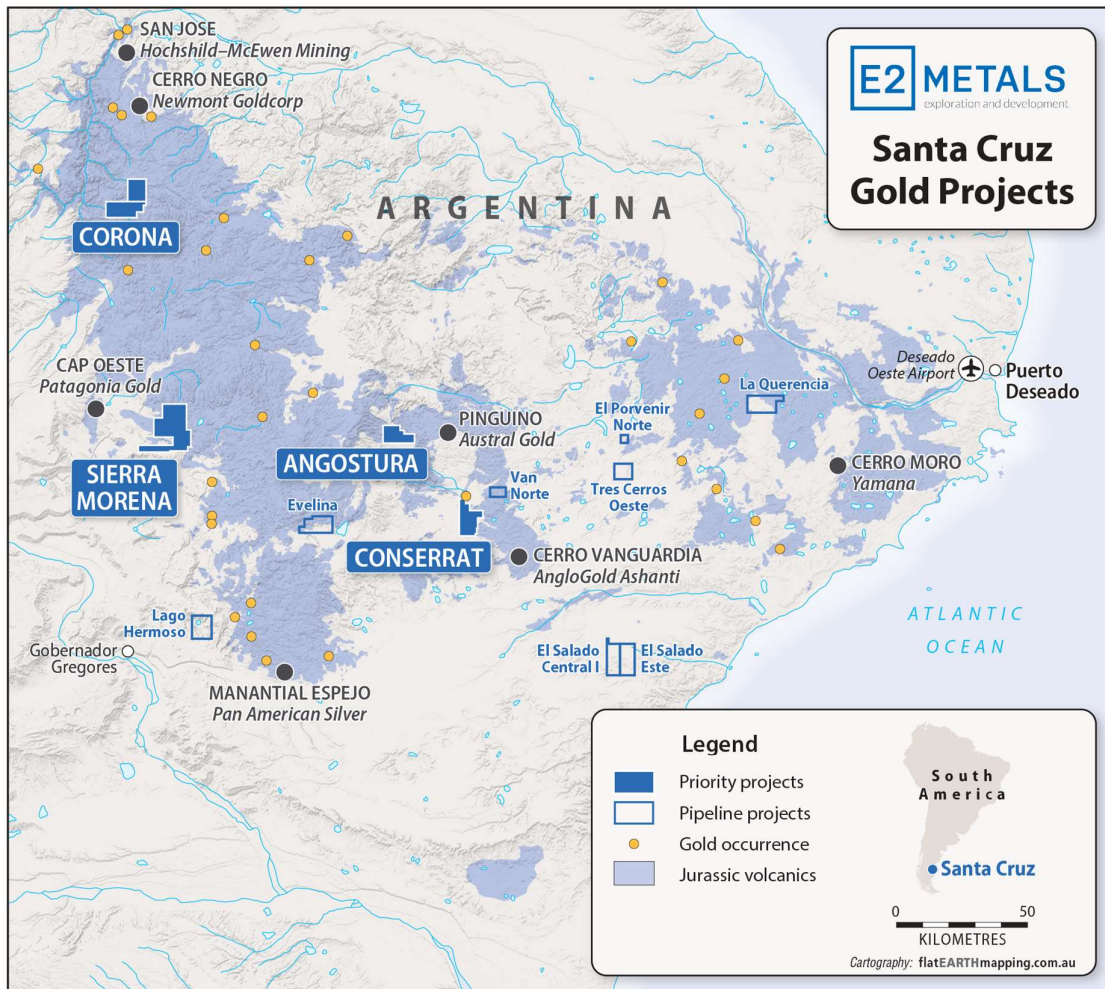


Figure 1: Location of Santa Cruz projects

Exploration programs at Santa Cruz were on hold during the winter months, but re-commenced in August with crews mobilising to the Conserrrat project to refine targets for the maiden drill program planned for early November. Exploration objectives at Conserrrat for the September reporting period were:

- Establish a semi-permanent field camp
- Further define existing prospects at the Veta Blanca, Emilia, Ro and Florencia sectors, and
- Continue evaluating additional prospective sectors (i.e. Melisa)

In addition, the Company reported results for the soil program completed at Sierra Morena during the last month of the previous field season with four new gold and silver soil anomalies reported for the Southern Project Area.

Conserrat Project

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

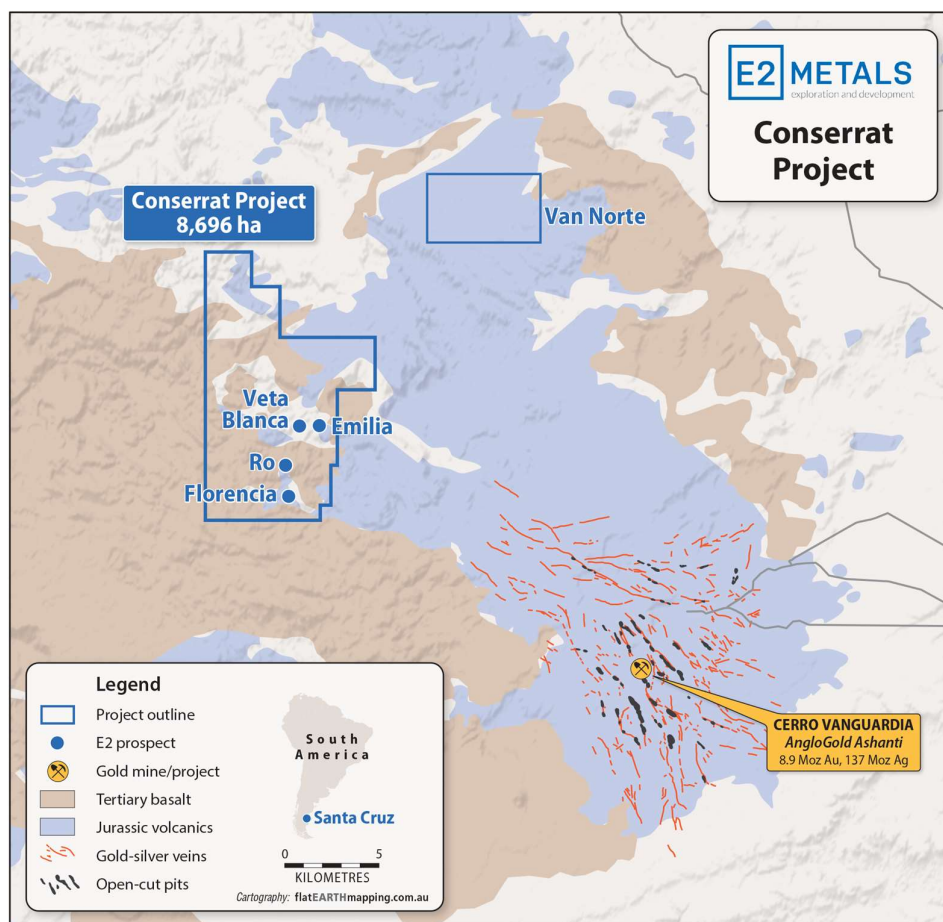


Figure 2: Conserrat Project

Exploration at Conserrat re-commenced on 22 August 2019 following the winter field break. Work programs during the September reporting period included a regional trench program and additional geophysics, including a regional CSAMT survey and infill pole-dipole Induced Polarisation (IP) survey in the Veta Blanca and Emilia sectors. Preliminary results for the **Veta Blanca**, **Veta Blanca West** and **Melisa** sectors were announced on 14 October 2019² and are summarised below.

Summary of Trench Results for Veta Blanca and Melisa

Phase 1 of the regional trench program has been completed and included 39 trenches for 3533m. Reported assay results for the first 26 trenches are shown in Figures 3 & 4, with results summarised below:

¹ Mirasol Resources Ltd Corporate Presentation, September 2018

² E2 Metals ASX Announcement – Conserrat Project Exploration Update, 14 October 2019

- Trenching at **Veta Blanca** defined two *principal veins* over an area of 200m by 30m. These veins are characterised by banded epithermal textures with very high silver and gold, including:
 - **COT-01**: 0.5m at 2ppm Au, 1700ppm Ag
 - **COT-25**: 0.8m at 3.8ppm Au, 760ppm Ag
- A third *hangingwall vein* has been identified in **COT-23** located 50m southwest, confirming the potential for additional parallel veins. Hanging wall vein zones are hosted in Bajo Pobre andesite, a favourable vein host, and returned 2m at 0.9ppm Au and 3ppm Ag.
- The same alteration, structure and veining were intercepted at **Veta Blanca West** extending the strike length of the prospective trend to over 800m. Initial results include:
 - **COT-12**: 0.6m at 0.7ppm Au and 73ppm Ag
 - **COT-11**: 0.5m at 0.3ppm Au, 23ppm Ag
- Trenching at the newly defined **Melisa** sector has defined a new prospective corridor 500m southwest of **Veta Blanca**. Structures altered to iron oxides with chalcedonic silica veins have returned gold and anomalous silver, including:
 - **COT-06**: 0.8m at 2ppm Au, 2.6ppm Ag
 - **COT-18**: 0.8m at 1.5ppm Au, 2.2ppm Ag

Trench sampling continues at the Ro, Florencia and Emilia prospects and the assay results for trenches at those prospects will be reported when received.

Summary of CSAMT Data for Veta Blanca and Melisa

In parallel with the trench program, the Company engaged local geophysical contractor Quantec to complete a regional CSAMT survey to map the geology to depths of 500m and locate favourable geological environments for epithermal vein deposits. The survey comprised 6 northeast orientated lines totalling 14.5 kilometres perpendicular to the principal structural and vein orientation.

Results for the first line were announced on 14 October 2019 along with the first batch of results of the Phase 1 trench program and are interpreted to show three major basin-related faults between the Melisa and Veta Blanca West sectors (Figure 5).

Priority targets for blind veins have been identified at Melisa where faults highlighted by the CSAMT are associated with zones of high chargeability in corresponding IP data. The high chargeability is interpreted to be a halo of metallic sulphides (pyrite) developed as an alteration halo around a fault-controlled epithermal vein. The potential for these blind vein targets at Melisa is supported by the positive gold geochemistry in trenches and the presence of widespread epithermal clay alteration at surface.

The infill pole-dipole IP survey has been completed and interpretation is ongoing.

Planning has commenced for the maiden drill program which is anticipated to begin in the first week of November. The program will comprise regional Reverse Circulation (RC) drilling at a regional scale to test all outcropping vein targets with positive geochemistry and vein textures, as well as blind geophysical targets generated from the IP and CSAMT surveys.

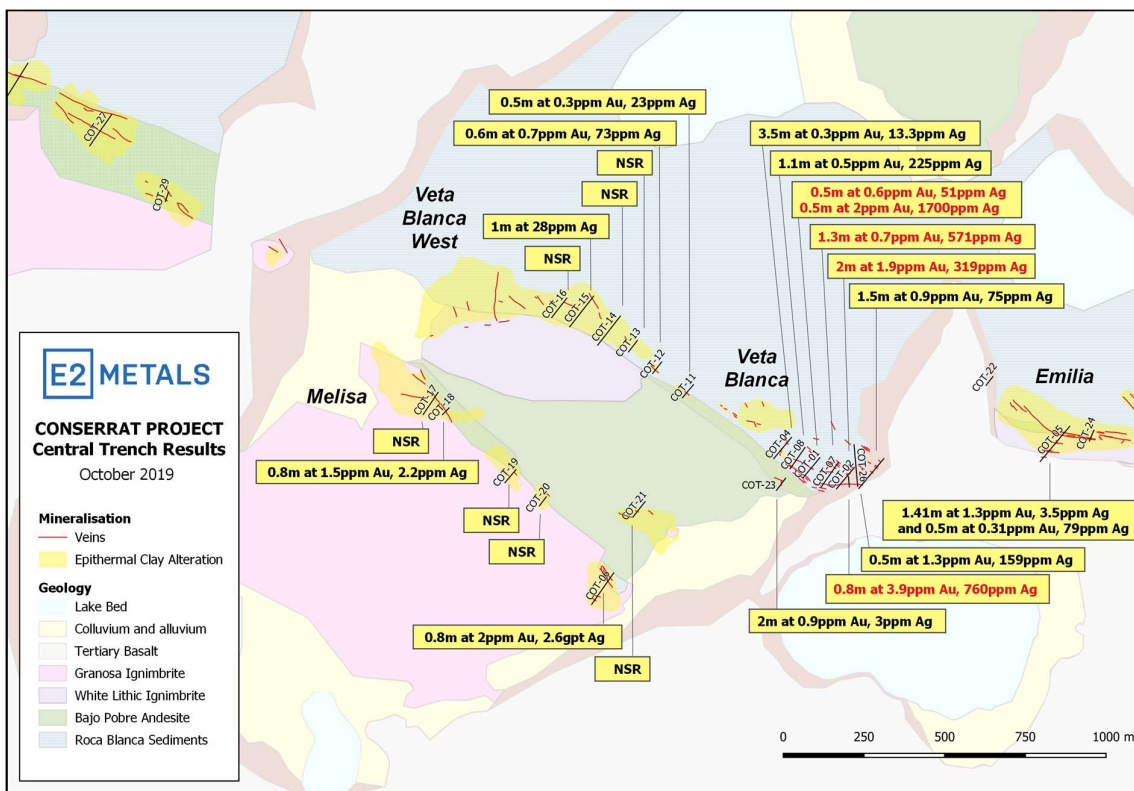


Figure 3: Phase 1 trench results for Veta Blanca and Melisa sectors overlain on geology

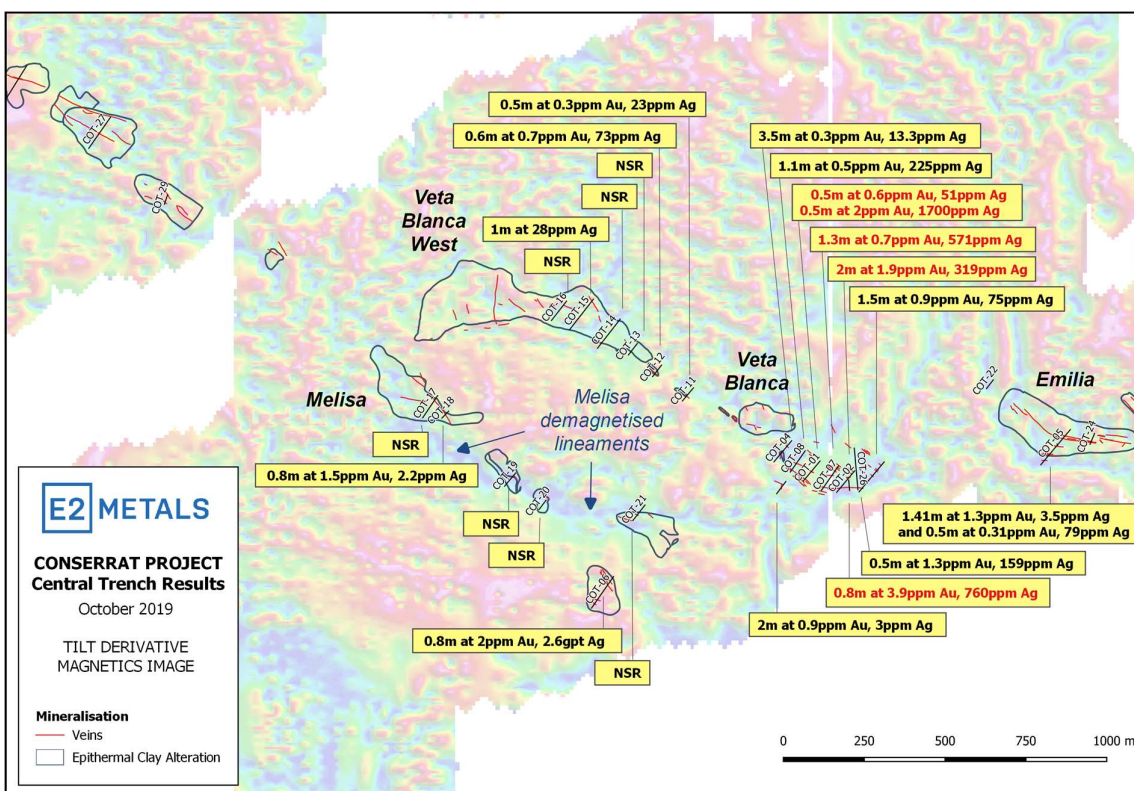


Figure 4: Phase 1 trench results for Veta Blanca and Melisa sectors overlain on magnetics image

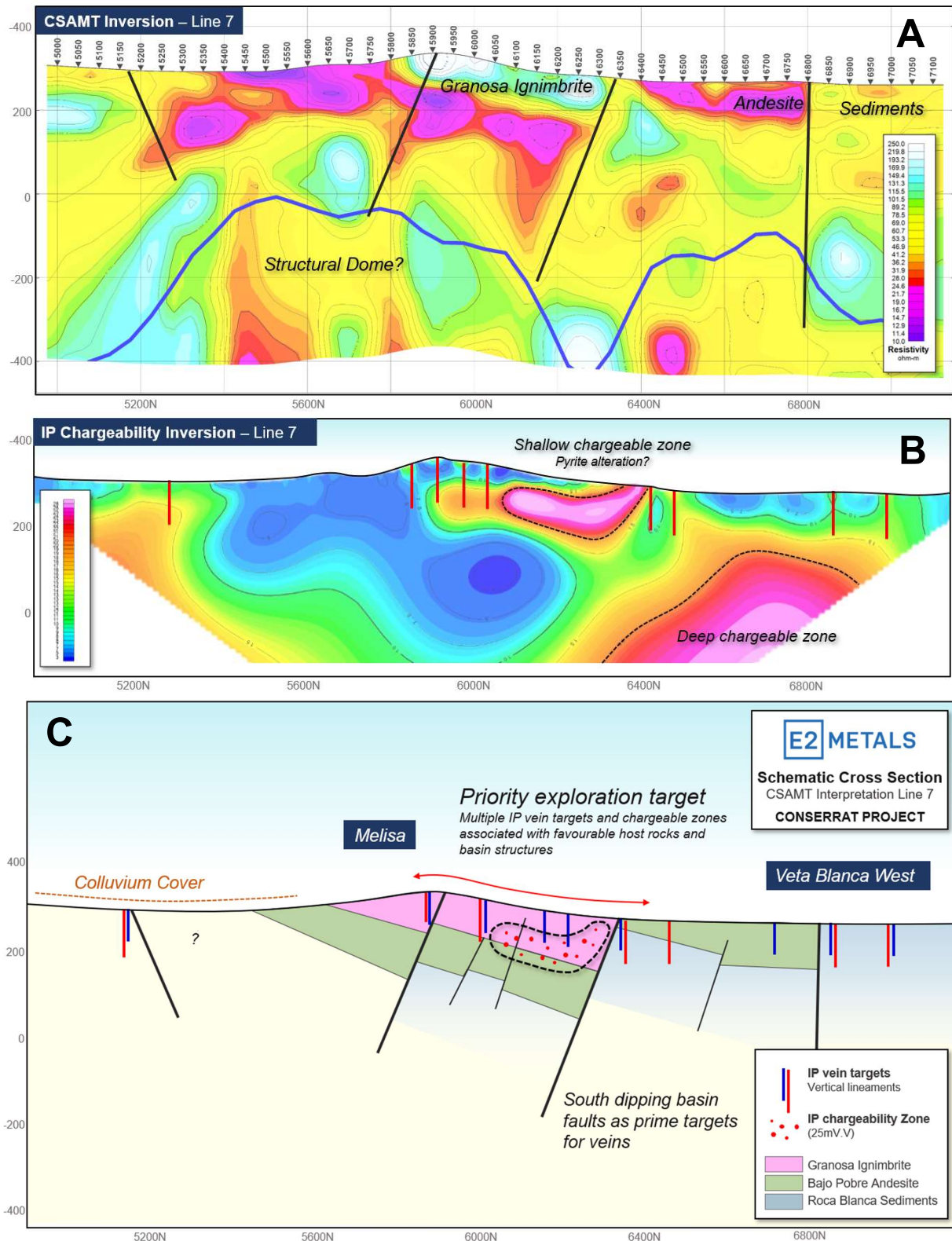


Figure 5: (a) CSAMT inversion, (b) IP Chargeability and (c) schematic cross section for Melisa and Veta Blanca West

Sierra Morena Project

The **Sierra Morena Project** (Figure 6) 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 silver³. 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.

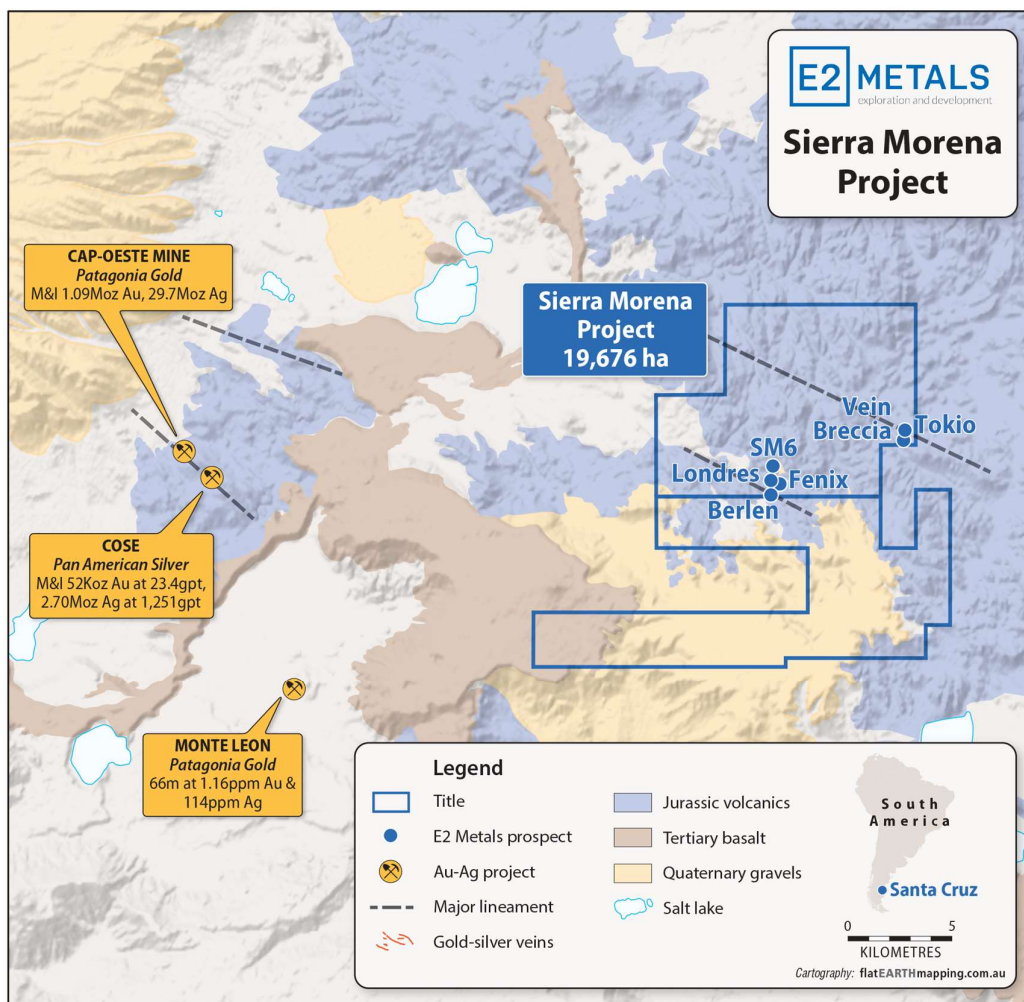


Figure 6: Sierra Morena Project

On 19 August 2019 the Company announced⁴ results for the Sierra Morena soil program completed during the second quarter. The survey was planned to test the potential for blind vein targets within the Southern Project Area, which hosts the southern extension of the gold and silver veins at the SM6 prospect.

³ Source for the Cap-Oeste resource estimate is the Patagonia Gold website - <http://www.patagoniagold.com/projects/el-tranquilo/>

⁴ Source for the COSE resource estimated is the SEDAR filing by Pan American Silver on August 9, 2017

⁴ E2 Metals ASX Announcement – Southern Project Area Soil Targets, 19 August 2019

Summary of Sierra Morena – Southern Project Area Soil

The soil survey defined new priority gold and silver targets at the SM6 - Eastern Vein, Berlen, Londres and Fenix prospects (Figure 7). This includes the Tokio target identified from historical soil data for a survey completed 6.5km east-northeast of SM6 (Figure 8). Highlights include:

- **Berlen:** Large 400m by 450m anomaly with up to 2.87ppm silver and 68.6ppb gold.
- **Londres:** High silver (up to 8.96ppm) over 250m. Up to 20.8ppb gold.
- **SM6 - Eastern Vein:** Silver values increasing to the southeast, extending the vein target by 200m under shallow cover.
- **Fenix:** Discrete silver (up to 3.91ppm) and gold anomaly in an area of gravel cover. Located 240m southwest of single point anomaly of 51ppb gold.
- **Tokio:** Coherent multi-line gold (up to 40.9ppb) and silver (up to 0.591ppm) anomaly located 600m north of historical drill intercept⁵ of 0.5m at 3.69ppm Au, 50ppm Ag.

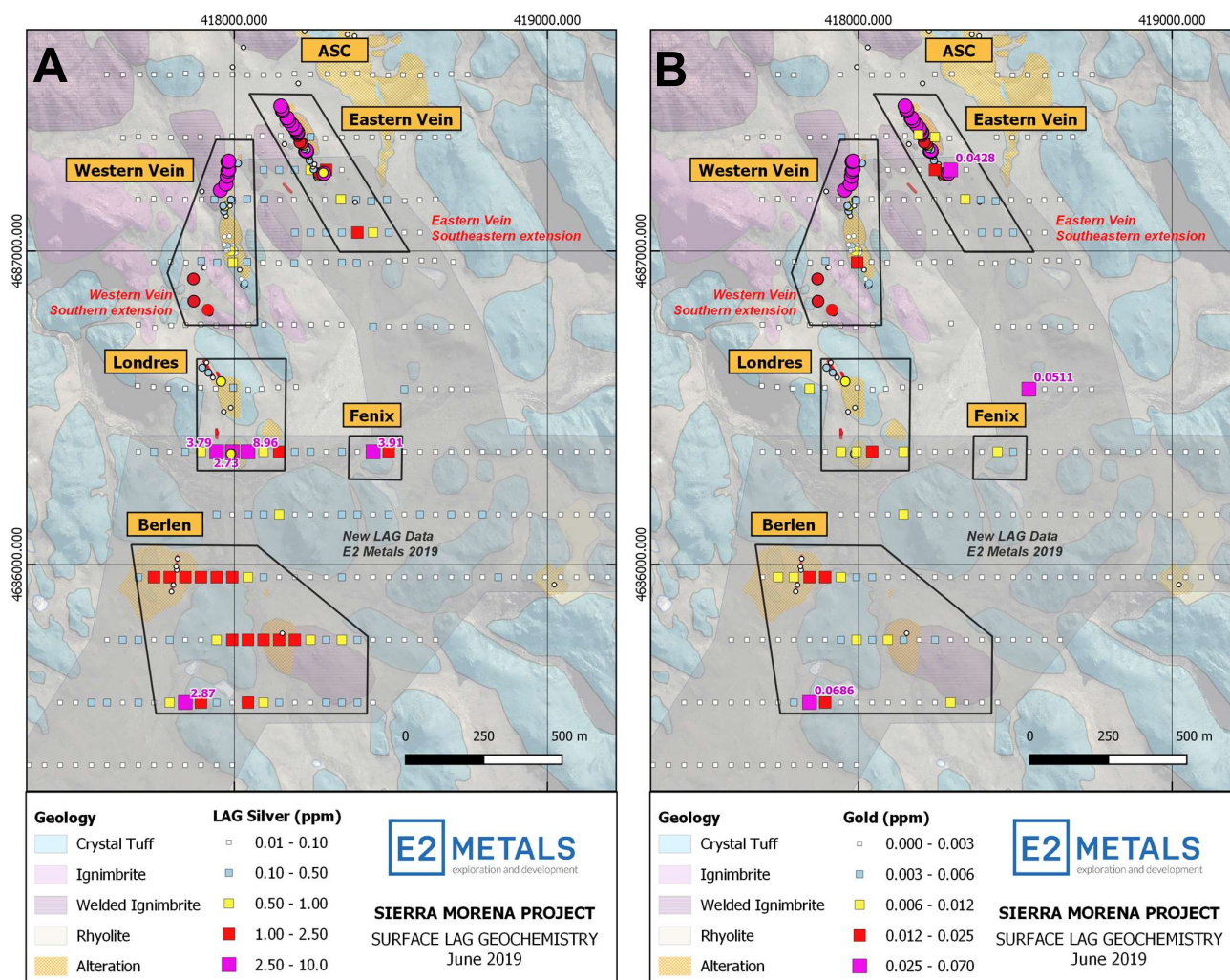


Figure 7: Sierra Morena soil data mapped by (a) silver and (b) gold

⁵ De Grey Mining ASX Announcement – Spectacular base metal indicators at VBZ, 4 July 2014

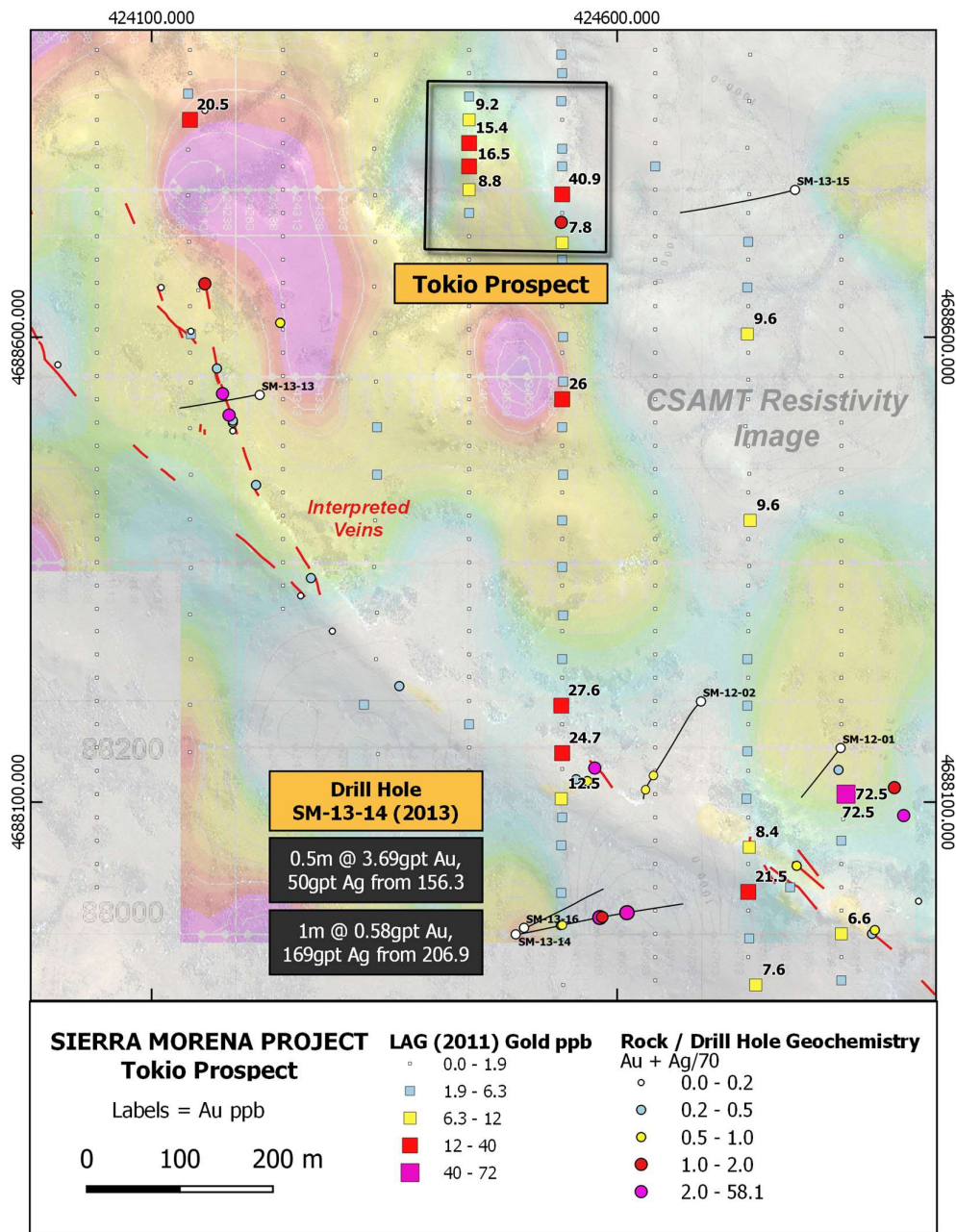


Figure 8: Tokio gold anomaly from historical soil data

These soil anomalies represent new targets for blind epithermal veins and will be the focus of ongoing work when the Company re-commences exploration at the project. Importantly, the absolute values for the Southern Project Area are an order of magnitude greater than historical anomalies for SM6.

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 9). The Cobar Superbasin is one of the pre-eminent polymetallic districts in Australia and is prospective for high grade lead, zinc, copper and precious metal deposits. It is host to two emerging discoveries at Peel Mining's (ASX: PEX) Wagga Tank - Southern Nights and Aurelia Metals (ASX: AMI) Federation prospects.

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

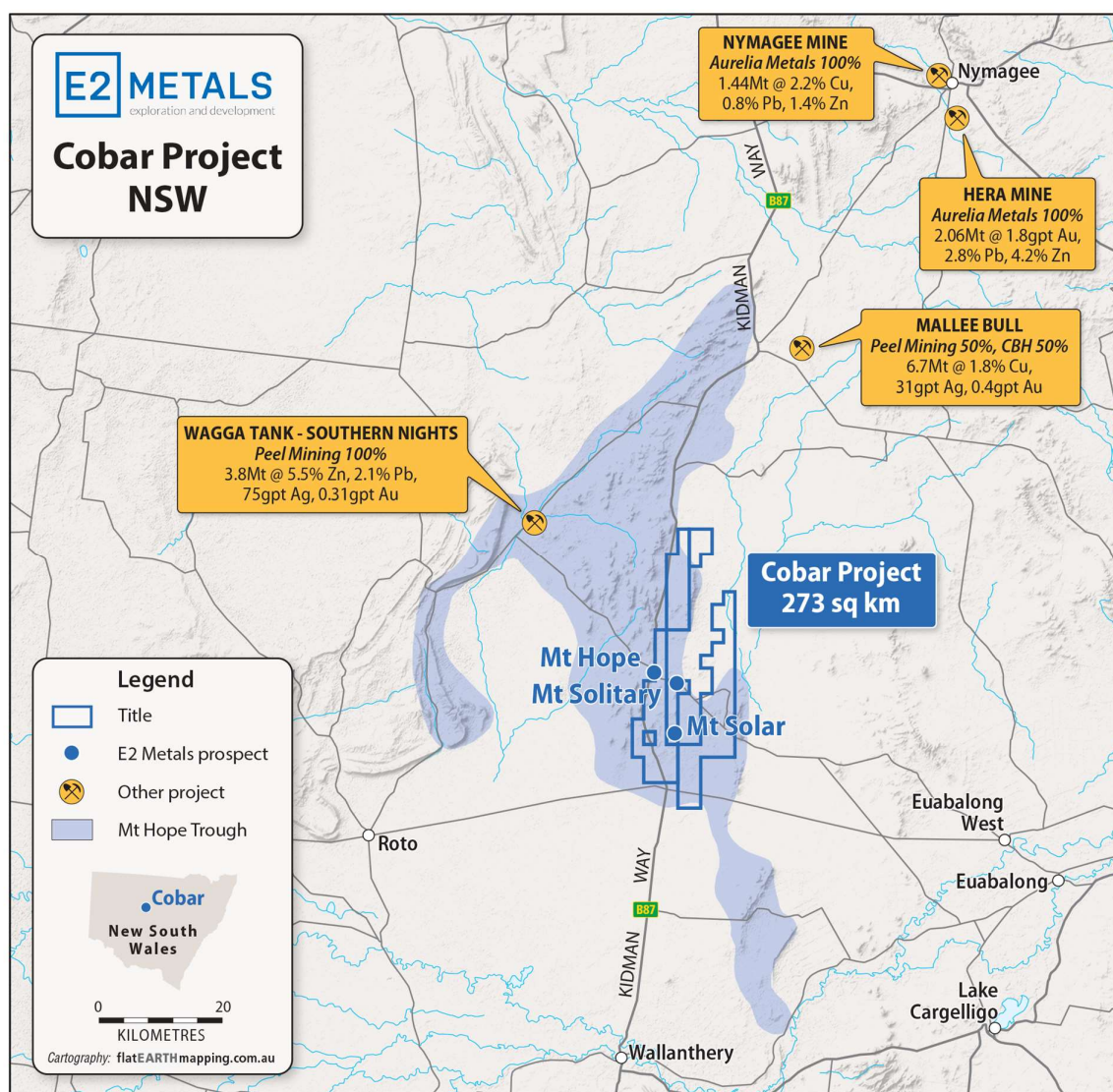


Figure 9: Cobar Project, New South Wales

Corporate

The company held \$3.34M cash as of 30 September 2019.

Upcoming Plans for the December Quarter 2019

During the December quarter the Company is focused on ranking and prioritising targets at Conserratt and commencing drilling. The drill program will comprise an initial Reverse Circulation (RC) drill program targeting outcropping veins and mineralised structures, as well as blind geophysical targets generated from the IP and CSAMT data.

For enquiries please contact:

Todd Williams
Managing Director
Ph: + 61 3 9692 7222

Competent Person's Statement

This report contains information extracted from previous ASX releases which are referenced in the report. The Company is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

September 2019 Quarterly ASX Announcements

The following important announcements were lodged with the ASX during the September Quarter reporting period

- Sierra Morena - Southern Project Area Soil Targets, 19 August 2019
- Work re-commencing at Conserratt, 22 August 2019
- Conserratt Project Exploration Update, 14 October 2019

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 September 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(374)	(374)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(96)	(96)
	(e) administration and corporate costs	(139)	(139)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	7	7
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	(602)	(602)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(9)	(9)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(9)	(9)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,947	3,947
4.2	Net cash from / (used in) operating activities (item 1.10 above)	(602)	(602)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9)	(9)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	5	5
4.6	Cash and cash equivalents at end of period	3,341	3,341

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	3,341	3,947
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)	3,341	3,947

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

95

-

- Payment of \$70K 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 September 2019 quarter

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

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

-

8. Financing facilities available

Add notes as necessary for an understanding of the position

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)

**Total facility amount
at quarter end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

-

-

-

-

-

-

- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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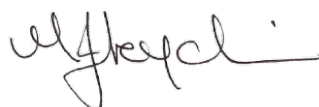
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	714
9.2 Development	-
9.3 Production	-
9.4 Staff costs	90
9.5 Administration and corporate costs	60
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	864

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: 28 October 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.