

E2 Metals Limited

ABN 12 345 678 901

Interim Report - 31 December 2016

E2 Metals Limited
Contents
31 December 2016

Corporate directory	2
Directors' report	3
Auditor's independence declaration	4
Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	13
Independent auditor's review report to the members of E2 Metals Limited	14

**E2 Metals Limited
Corporate directory
31 December 2016**

Directors	Martin Donohue Simon Peters Chris Spurway
Company secretaries	Melanie Leydin Justin Mouchacca
Registered office	Level 4 100 Albert Road South Melbourne VIC 3205
Auditor	William Buck Level 20, 181 William Street Melbourne VIC 3000
Share Registry	Link Market Services Level 12 680 George Street Sydney NSW 2000 Ph: 02 8280 7001

E2 Metals Limited
Directors' report
31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of E2 Metals Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

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

Mr Simon Peters
Mr Martin Donohue
Mr Chris Spurway

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of exploration and evaluation of mineral deposits in Australia and New Zealand.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$220,138 (31 December 2015: \$16,265).

During the half-year period, the consolidated entity carried incurred costs associated with the preparation of its Initial Public Offering Prospectus, which have caused an increase in the expenditure. The costs associated with this expenditure have been split between a credit to equity in the Statement of Financial Position and corporate costs in the Statement of profit and loss and other comprehensive income.

Significant changes in the state of affairs

On 31 August 2016, the consolidated entity issued a total 1,400,000 fully paid ordinary shares at an issue price of \$0.05 (5 cents) per share raising \$70,000 (before costs).

On 6 October 2016, the consolidated entity issued a total 1,700,000 fully paid ordinary shares at an issue price of \$0.05 (5 cents) per share raising \$85,000 (before costs).

On 7 October 2016, and following shareholder approval sought at a general meeting of shareholders held on 3 October 2016, the consolidated entity completed a consolidation of share capital on a 2 for 1 basis.

Subsequent to the consolidation of shares, as noted above, the consolidated entity issued 750,000 fully paid ordinary shares at an issue price of \$0.10 (10 cents) per share, raising \$75,000 (before costs). The consolidated entity also issued 12,500 fully paid ordinary shares at a deemed issue price of \$0.10 (10 cents) per share in relation to capital raising costs.

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



Simon Peters
Managing Director

25 January 2017

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 2016 there have been:

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

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

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

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

J. C. Luckins
Director

Dated this 25th day of January, 2017

**CHARTERED ACCOUNTANTS
& ADVISORS**

Level 20, 181 William Street
Melbourne VIC 3000

PO Box 185
Toorak VIC 3142

Telephone: +61 3 9824 8555

williambuck.com

E2 Metals Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

		Consolidated	
	Note	31 December 2016	31 December 2015
		\$	\$
Revenue	3	-	5,462
Other income	4	1,406	-
Expenses			
Corporate expenses		(172,629)	(20,364)
Administration		(48,915)	(1,363)
		<u> </u>	<u> </u>
Loss before income tax expense		(220,138)	(16,265)
Income tax expense		<u> -</u>	<u> -</u>
Loss after income tax expense for the half-year attributable to the owners of E2 Metals Limited		(220,138)	(16,265)
Other comprehensive loss for the half-year, net of tax		<u> -</u>	<u> -</u>
Total comprehensive loss for the half-year attributable to the owners of E2 Metals Limited		<u><u> (220,138)</u></u>	<u><u> (16,265)</u></u>

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 2016

		Consolidated	
	Note	31 December 2016 \$	30 June 2016 \$
Assets			
Current assets			
Cash and cash equivalents		10,724	38,776
Trade and other receivables		30,868	17,941
Prepayments		2,278	-
Total current assets		<u>43,870</u>	<u>56,717</u>
Non-current assets			
Exploration and evaluation	5	955,796	761,061
Other non-current assets		30,000	26,265
Total non-current assets		<u>985,796</u>	<u>787,326</u>
Total assets		<u>1,029,666</u>	<u>844,043</u>
Liabilities			
Current liabilities			
Trade and other payables		230,148	122,581
Other current liabilities	6	151,448	12,724
Total current liabilities		<u>381,596</u>	<u>135,305</u>
Total liabilities		<u>381,596</u>	<u>135,305</u>
Net assets		<u>648,070</u>	<u>708,738</u>
Equity			
Issued capital	7	2,609,390	2,452,586
Reserves		33,159	30,493
Accumulated losses		(1,994,479)	(1,774,341)
Total equity		<u>648,070</u>	<u>708,738</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 2016

Consolidated	Issued Capital \$	Accumulated Losses \$	Foreign Currency translation reserve \$	Total equity \$
Balance at 1 July 2015	2,122,586	(1,720,679)	6,849	408,756
Loss after income tax expense for the half-year	-	(16,265)	-	(16,265)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(16,265)	-	(16,265)
Balance at 31 December 2015	<u>2,122,586</u>	<u>(1,736,944)</u>	<u>6,849</u>	<u>392,491</u>
Consolidated	Issued Capital \$	Accumulated Losses \$	Foreign Currency translation reserve \$	Total equity \$
Balance at 1 July 2016	2,452,586	(1,774,341)	30,493	708,738
Loss after income tax expense for the half-year	-	(220,138)	-	(220,138)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(220,138)	-	(220,138)
Foreign exchange movements for the period	-	-	2,666	2,666
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 7)	231,250	-	-	231,250
Equity Raising Fees	(74,446)	-	-	(74,446)
Balance at 31 December 2016	<u>2,609,390</u>	<u>(1,994,479)</u>	<u>33,159</u>	<u>648,070</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 2016

	Consolidated	
	31 December	31 December
Note	2016	2015
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	-	5,462
Payments to suppliers (inclusive of GST)	(382,976)	(198,310)
Interest received	10	-
Interest and other finance costs paid	(406)	(611)
	<u>(383,372)</u>	<u>(193,459)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for security deposits	(10,000)	-
Refund of security deposit	-	10,000
	<u>(10,000)</u>	<u>10,000</u>
Net cash from/(used in) investing activities		
Cash flows from financing activities		
Proceeds from issue of shares	231,250	250,000
Proceeds from borrowings	130,000	-
	<u>361,250</u>	<u>250,000</u>
Net cash from financing activities		
Net increase/(decrease) in cash and cash equivalents	(32,122)	66,541
Cash and cash equivalents at the beginning of the financial half-year	38,773	15,394
Effects of exchange rate changes on cash and cash equivalents	4,073	18,910
	<u>10,724</u>	<u>100,845</u>
Cash and cash equivalents at the end of the financial half-year		

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

E2 Metals Limited
Notes to the financial statements
31 December 2016

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

Level 4, 100 Albert Road
South Melbourne, VIC 3205

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 25 January 2017.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 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 2016 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.

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. For the reasons described below, there is material uncertainty whether the consolidated entity will continue as a going concern:

- The consolidated entity recorded a net loss of \$220,138 for the period ended 31 December 2016.

The consolidated entity is in the process of preparing for an initial public offering to list on the Australian Stock Exchange during the 2017 financial year which will enable additional monies to be raised to fund continuing business operations.

The Directors are of the opinion that the existing cash reserves will provide the Company with adequate funds to ensure its continued viability and operate as a going concern. In addition, a Director has written to the Company advising of his intention and ability to support the Company financially for a period of at least 12 months from the date of signing the financial report. This includes supporting the company in relation to the costs incurred in respect of the proposed IPO transaction if sufficient capital cannot be raised by the Company.

E2 Metals Limited
Notes to the financial statements
31 December 2016

Note 2. Significant accounting policies (continued)

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

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

Whilst the directors are confident in the consolidated entity's ability to continue as a going concern, in the event future potential capital raising initiatives and commercial opportunities do not eventuate, there is significant uncertainty as to whether the consolidated entity will be able to generate sufficient net operating cash inflows or execute alternative funding arrangements to enable it to continue as a going concern. Consequently, material uncertainty exists as to whether the consolidated entity will continue as a going concern and it may therefore be required to realise assets, extinguish liabilities at amounts different to those recorded in the balance sheet and settle liabilities other than in the ordinary course of business.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification that might be necessary should the consolidated entity not continue as a going concern.

Note 3. Revenue

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Other revenue	-	5,462
	<u> </u>	<u> </u>

Note 4. Other income

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Net foreign exchange gain	1,406	-
	<u> </u>	<u> </u>

Note 5. Non-current assets - exploration and evaluation

	Consolidated	
	31 December 2016	30 June 2016
	\$	\$
Exploration and evaluation	955,796	761,061
	<u> </u>	<u> </u>

Reconciliations

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

Consolidated	Total \$
Balance at 1 July 2016	761,061
Expenditure during the December half year 2016	<u>194,735</u>
Balance at 31 December 2016	<u>955,796</u>

E2 Metals Limited
Notes to the financial statements
31 December 2016

Note 5. Non-current assets - exploration and evaluation (continued)

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest. The tenements included in the carrying amounts above are the Neavesville project and the Mt Hope group of tenements.

Note 6. Other Current liabilities

	Consolidated	
	31 December 2016	30 June 2016
	\$	\$
Penstock Advisory Loan	141,050	-
Other payables	2,416	5,992
Accrued expenses	7,250	6,000
Other current liabilities	732	732
	<u>151,448</u>	<u>12,724</u>

On September 2016, the Company entered into a Loan Agreement with an entity related to Mr Martin Donohue, a Director of the Company, providing the Company with interim funding up to \$130,000. The loan is repayable with 8.5% interest in 30 days following the Company's listing on the ASX.

Note 7. Equity - issued capital

	Consolidated			
	31 December 2016	30 June 2016	31 December 2016	30 June 2016
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>30,370,938</u>	<u>56,114,939</u>	<u>2,609,390</u>	<u>2,452,586</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2016	56,114,939		2,452,586
Issue of shares	31 August 2016	1,400,000	\$0.05	70,000
Issue of shares	6 October 2016	1,700,000	\$0.05	85,000
Share Consolidation 2:1	13 October 2016	(29,606,501)	-	-
Issue of shares	14 October 2016	250,000	\$0.10	25,000
Issue of shares	16 December 2016	500,000	\$0.10	50,000
Issue of shares	16 December 2016	12,500	\$0.10	1,250
Capital raising costs		-	-	(74,446)
Balance	31 December 2016	<u>30,370,938</u>		<u>2,609,390</u>

Ordinary shares

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

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

Note 8. Events after the reporting period

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

E2 Metals Limited
Directors' declaration
31 December 2016

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 2016 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



Simon Peters
Managing Director

25 January 2017

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

Report on the Half-Year Financial Report

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 condensed statement of financial position as at 31 December 2016, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed 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.

Directors' Responsibility 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 Responsibility

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 2016 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.

CHARTERED ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

PO Box 185
Toorak VIC 3142

Telephone: +61 3 9824 8555

williambuck.com

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

Conclusion

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 2016 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Company incurred a net loss of \$220,138 during the half-year ended 31 December 2016 and, as of that date, the Company's current liabilities exceeded its current assets by \$337,726. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

J. C. Luckins
Director

Dated this 25th day of January 2017