Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

Expressed in Canadian Dollars

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Independent Auditor's Report

To the Shareholders of E3 Metals Corp.:

Opinion

We have audited the consolidated financial statements of E3 Metals Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has not generated revenues from operations and has an accumulated deficit of $19,923,250 including a net loss of $2,371,778 incurred during the year ended December 31, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Leanne Bjalek.

MNP LLP

Calgary, Alberta

April 9, 2020

Chartered Professional Accountants

E3 METALS CORP

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	**December 31, 2019**	December 31, 2018
Assets			
Current assets:			
Cash		**$ 277,464**	$ 347,547
Restricted cash	8	**945,108**	-
Receivables	3	**42,053**	24,092
Prepaid expenses		**232,625**	9,415
		1,497,250	381,054
Property and equipment	4	**12,341**	19,233
Right-of-use asset	5	**11,433**	-
Exploration and evaluation assets	6	**2,721,478**	2,511,076
Intangible assets	7	**236,945**	-
		$ 4,479,447	$ 2,911,363
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade payables and accrued liabilities	9	**$ 427,891**	$ 95,883
Due to related parties	13	**15,158**	22,465
Short-term loan		**-**	4,153
Lease liability	11	**12,644**	-
		455,693	122,501
Shareholders' equity:			
Share capital	12	**20,264,608**	18,101,271
Contributed surplus	12	**2,760,249**	2,309,094
Contributed capital	8	**997,275**	-
Foreign currency reserve		**(75,128)**	(75,370)
Deficit		**(19,923,250)**	(17,546,133)
		4,023,754	2,788,862
		$ 4,479,447	$ 2,911,363

Nature of operations and going concern (Note 1)
Commitments (Note 17)
Subsequent events (Note 18)

The accompanying notes form an integral part of these consolidated financial statements.

On Behalf of the Board of Directors:

"Chris Doornbos"
Director

"Mike O'Hara"
Director

E3 METALS CORP

Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Notes	Share Capital: Number of Shares	Share Capital: Amount	Contributed Capital	Contributed Surplus	Foreign Currency Reserve	Common stock subscribed	Deficit	Total Equity (Deficiency)
Balance, December 31, 2017		16,679,909	$ 16,672,893	$ –	$ 1,875,197	(75,169)	$ 20,000	$ (16,166,646)	$ 2,326,275
Private placements	12	3,540,000	1,416,000	–	–	–	–	–	1,416,000
Shareholder warrants	12	–	(247,800)	–	247,800	–	–	–	–
Broker warrants	12	–	(5,565)	–	5,565	–	–	–	–
Exercise of warrants	12	360,000	141,500	–	–	–	(20,000)	–	121,500
Share issuance costs		–	(38,827)	–	–	–	–	–	(38,827)
Shares issued for mineral property acquisition	12	350,000	140,000	–	–	–	–	–	140,000
Shares issued for debt	12	72 093	23,070	–	–	–	–	–	23,070
Share-based compensation	12	–	–	–	180,532	–	–	–	180,532
Foreign currency translation		–	–	–	–	(201)	–	–	(201)
Net loss for the year		–	–	–	–	–	–	(1,379,487)	(1,379,487)
Balance, December 31, 2018		21,002,002	$ 18,101,271	$ –	$ 2,309,094	$ (75,370)	$ –	$ (17,546,133)	$ 2,788,862
Private placements	12	6,239,884	2,253,812	–	–	–	–	–	2,253,812
Contributed capital	7	–	–	997,275	–	–	–	–	997,275
Broker warrants	12	–	(178,264)	–	178,264	–	–	–	–
Exercise of options	12	100,000	64,476	–	(24,476)	–	–	–	40,000
Shares issued for services	12	56,015	23,313	–	–	–	–	–	23,313
Share-based compensation	12	–	–	–	297,367	–	–	–	297,367
Adoption of IFRS 16	5,11	–	–	–	–	–	–	(5,339)	(5,339)
Foreign currency translation		–	–	–	–	242	–	–	242
Net loss for the year		–	–	–	–	–	–	(2,371,778)	(2,371,778)
Balance, December 31, 2019		**27,397,901**	**$ 20,264,608**	**$ 997,275**	**$ 2,760,249**	**$ (75,128)**	**$ –**	**$ (19,923,250)**	**$ 4,023,754**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Notes	**2019**	2018
Expenses:			
Consulting fees		**$ 598,951**	352,450
Wages and benefits		**480,804**	318,151
Professional fees		**356,713**	101,062
Marketing expenses		**296,758**	265,582
Share-based compensation	12	**283,792**	180,532
General and administrative		**162,809**	146,321
Regulatory and transfer agent fees		**70,101**	30,536
Travel expenses		**62,779**	50,934
Depreciation and amortization	4,5	**33,631**	11,915
Interest on lease liability	10	**5,928**	–
Unrealized loss on foreign exchange		**24,745**	–
		(2,377,011)	(1,457,483)
Gain on lease modification	10	**4,917**	–
Other income		**316**	–
Gain on debt settlement	11	**–**	7,930
Amortization of flow-through premium liability	9	**–**	71,029
Flow-through tax		**–**	(963)
Net loss for the year		**(2,371,778)**	(1,379,487)
Other Comprehensive Loss			
Foreign exchange gain (loss) on operations		**242**	(201)
Comprehensive loss for the year		**$ (2,371,536)**	$ (1,379,688)
Loss per common share - Basic and diluted		**$ (0.10)**	$ (0.07)
Weighted average number of common shares outstanding - Basic and diluted		**24,112,083**	18,523,654

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Notes		**2019**		2018
Cash provided by (used in):					
Operating:					
Net loss for the year		**$**	**(2,371,778)**	$	(1,379,487)
Items not affecting cash					
Share-based compensation	12		**320,679**		180,532
Depreciation of lease asset	5		**25,611**		-
Depreciation of property and equipment	4		**8,020**		11,914
Non-cash interest expense on lease liability	11		**5,928**		-
Gain on lease modification	11		**(4,917)**		
Amortization of flow-through premium liability	10		**-**		(71,029)
Gain on settlement of debt			**-**		(7,930)
Change in non-cash working capital:					
Receivables			**(17,961)**		13,040
Prepaids			**(223,210)**		9,442
Trade payables and accrued liabilities			**332,008**		(63,361)
Due to related parties			**(7,307)**		12,832
Net cash used in operating activities			**(1,932,927)**		(1,294,047)
Investing:					
Intangible assets	7		**(236,945)**		-
Exploration and evaluation assets	6		**(210,402)**		(455,668)
Property and equipment	5		**(1,128)**		(13,791)
Net cash used in investing activities			**(448,475)**		(469,459)
Financing:					
Proceeds from private placements (net)	12		**2,253,812**		1,377,173
Contributed capital	8		**997,275**		-
Lease liability	11		**(30,750)**		-
Exercise of stock options	12		**40,000**		121,500
Short term loans			**(4,153)**		4,153
Net cash from financing activities			**3,256,185**		1,502,826
Effect of foreign exchange			**242**		(201)
Change of cash during the year			**875,025**		(260,881)
Cash, beginning of the year			**347,547**		608,428
Cash, end of the year		**$**	**1,222,572**	$	347,547
Unrestricted cash			**277,464**		347,547
Restricted cash - securuty for credit facility			**28,750**		-
Restricted cash - Joint operations			**916,358**		-
Cash, end of the year		**$**	**1,222,572**	$	347,547

The accompanying notes form an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

E3 Metals Corp. (“E3 Metals” or the “Company”) was incorporated on August 19, 1998 under the laws of British Columbia. The Company’s shares trade on the TSX Venture Exchange (the “Exchange”) under the symbol ETMC.

The Company’s head office and principal address is Suite 205, 227 10 St NW, Calgary, AB, T2N 1V5. The registered and records office is Suite 400, 725 Granville Street, Vancouver, BC, V7Y 1G5.

On May 30, 2017, the Company completed an acquisition (the "Transaction") of 1975293 Alberta Ltd. ("Alberta Co"), whereby all of the issued and outstanding shares of Alberta Co were exchanged for securities of E3 Metals. The Company changed its name to E3 Metals Corp. from Savannah Gold Corp. and upgraded its listing to Tier 2 of the Exchange subsequent to the closing of the Transaction. Alberta Co became a wholly-owned subsidiary of the Company.

E3 Metals is a resource company with mineral properties in Alberta that is currently focused on technology development for lithium extraction from Alberta brines. The Company has not yet determined whether its properties contain lithium reserves that are economically recoverable. The recoverability of amounts spent for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its property, and upon future profitable production from the properties.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

These consolidated financial statements do not give effect to any adjustments to the amounts or classification of assets and liabilities which might be necessary should the Company be unable to continue as a going concern.

As at December 31, 2019, the Company has not generated revenues from operations and has an accumulated deficit of $19,923,250 (2018 – $17,546,133) including a net loss of $2,371,778 (2018 – $1,379,487) incurred during the year ended December 31, 2019. These events and conditions indicate a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. The Company may continue to have capital requirements in excess of its currently available resources. The Company will require financing to continue its business plan through 2021, and there can be no assurance that such financing will be available or, if available, that it will be on reasonable terms.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on April 9, 2020 by the Board of Directors of the Company.

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Functional Currency

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars ("CAD", which is the functional and presentation currency of the parent company, its Canadian subsidiary (1975293 Alberta Ltd) and its jointly controlled subsidiary (2216747 Alberta Ltd). The functional currency of MAU Mexico is the Mexican Peso ("MEX").

Consolidation

These consolidated financial statements include the financial statements of the Company, its controlled subsidiaries and a jointly controlled entity. A subsidiary is a corporation over which the Company is able directly or indirectly, to control the financial and operational policies, which is the authority usually connected with holding majority voting rights. A subsidiary is fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases. The subsidiaries of the Company are as follows:

			Percentage owned	
	Country of incorporation	Functional currency	December 31, 2019	December 31, 2018
1975293 Alberta Ltd.	Canada	CAD	100%	100%
0904254 BC Ltd.(1)	Canada	CAD	-	100%
Mexigold Resources SA de CV ("MAU Mexico") (2)	Mexico	MEX	100%	100%
2216747 Alberta Ltd.(3)	Canada	CAD	50%	-

(1) 0904254 BC Ltd was dissolved in 2019.
(2) E3 Metals owns 99% and 0904254 BC owned 1% of MAU Mexico. MAU Mexico is inactive and has no assets.
(3) 2216747 Alberta Ltd. was incorporated in 2019 and is a jointly controlled operation. It's recognized in these financial statements using the proportionate consolidation method.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Consolidation *(cont'd)*

Assets, liabilities, revenues and expenses of the subsidiary are recognized in accordance with the Company's accounting policies. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires estimates as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends.

Taxation
The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the assessment of the carrying value of the Company's exploration and evaluation assets;
- the determination of what constitutes cash generating unit ("CGUs"). Exploration & evaluation assets are grouped into CGUs at the lowest level of separately identified cash flows.

2. *SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)*

Significant judgments *(cont'd)*

Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. Management has determined that the Company has one CGU;

- the classification of financial instruments;
- the classification and assessment of the carrying value of intangible assets; and
- the assessment of control for 2216747 Alberta Ltd. ("Devco") and the basis of accounting.

Foreign Currency Translation

Foreign currency transactions, balances and translation:

Foreign currency transactions are translated into functional currency using the exchange rates at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the consolidated statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss.

Where the nonmonetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Translation of operations with a different functional currency:

The financial results and position of foreign operations whose functional currency is different from the Company's functional currency are translated to the Company's presentation currency as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency reserve in the statement of comprehensive loss. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Share-based Payments (cont'd)

determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. For stock options, the cost of the option is expensed or capitalized as an addition to non-monetary assets depending on the reason for the grant. The corresponding amount is recorded to contributed surplus. The fair value of options granted is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Cash

Cash includes cash on hand at Canadian financial banking institutions.

When cash or cash equivalents are not available for use directly by the Company to finance general operations as a result of contractual or other specific obligations, it is classified as Restricted Cash.

Financial Instruments

The Company recognizes financial assets and financial liabilities on the consolidated statement of financial position when the Company becomes a party to the contract. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are removed from the financial statements when the liability is extinguished either through settlement of or release from the obligation of the underlying liability.

Receivables
The Company makes use of a simplified approach in accounting for receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Company assess impairment of receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Measurement
Financial assets, financial liabilities and derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

Amortized cost
A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; all contractual cash flows represent only principal and interest on that principal. All financial liabilities are measured at amortized cost using the effective interest method except for liabilities incurred for the purposes of selling or repurchasing in the short-term liabilities, if they are held-for trading and those that meet the definition of a derivative.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Financial Instruments (cont'd)

Fair value through other comprehensive income ("FVTOCI")
A financial asset shall be measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest ("SPPI") on the principal amount outstanding.

Fair value through profit or loss ("FVTPL")
All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Company may make an irrevocable election to designate an asset at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized.

Financial assets and liabilities are offset and the net amount is reported on the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Exploration and Evaluation Assets

E&E assets consist of mineral permit acquisition costs and exploration costs directly related to specific properties are deferred, commencing on the date that the Company acquires legal rights to explore a mineral property, until technical and economic feasibility of extracting a mineral resource is demonstrable, or until the properties are sold or abandoned. All other costs, including administrative overhead are expensed as incurred. E&E assets are not depreciated or depleted. If the properties enter the production phase, they will be reclassified from E&E assets and depletion will commence using the units of production basis based upon proven reserves. If the properties are sold or abandoned, these expenditures will be written off.

The Company currently has one CGU – its Alberta Lithium Project (2018 – 1 CGU). An impairment loss is recognized on the Company's E&E assets when the carrying amount of the asset, or its CGU, exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Flow-through Shares

The Company has historically issued flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into (i) a flow-through share premium, equal to the estimated premium, if any; investors pay for the flow-through feature, which is recognized as a liability,

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Flow-through Shares (cont'd)

and (ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as flow-through premium liability.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Income Taxes

Income tax expense comprise of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting nor taxable loss, and differences relating to investments in subsidiary to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

Loss per Share

Loss per share is computed by dividing net loss by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation and impairment losses. Where an item of property and equipment comprises significant components with different useful lives, the components are accounted for as separate items of property and equipment.

The cost of replacing part of an item within property and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Depreciation is calculated at the following rates and basis:

Computer equipment	55% declining balance
Furniture	20% declining balance
Leasehold improvements	20% straight-line
Software licenses	100% declining balance

Impairment of Long-lived Property and Equipment Assets

The Company assesses at each reporting date whether there are indications of impairment of a long-lived property and equipment asset CGU it has identified. If indications of impairment exist, the Company estimates the asset's recoverable amount, which is the higher of an asset's or CGU's fair value less costs of disposal and its value-in-use. An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. The Company currently has no long-lived property and equipment assets (2018 – NIL).

Fair value less costs of disposal represents the value for which an asset could be sold in an arms-length transaction, and is presented as a function of the future cash flows of the proved and probable reserves. Value in use is estimated as the discounted present value of the future cash flows expected to arise from the continued use of the asset or CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and the impairment loss is charged to the statement of net loss and comprehensive loss.

For impairment losses recognized in prior years, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. Previously recognized impairment loss reversals are limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Impairment of Long-lived Property and Equipment Assets (cont'd)

recognized for the asset in prior years. Impairment reversals are recognized as an impairment recovery in the consolidated statement of comprehensive loss.

Government Grants

The Company has applied for, and received, grants from various provincial and federal government agencies to assist it in its technology development. These grants are recognized as costs are incurred and/or defined milestones are achieved. Grant funds received are offset against the related costs incurred.

Intangible Assets

Development expenditures are capitalized as intangible assets only if the expenditure can be measured reliably, the process is technically and commercially feasible, future economic benefits are probable to the Company and the Company has sufficient resources to complete the development and use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditures are measured at costs less accumulated amortization and any accumulated impairment losses.

Joint Operation

On September 11, 2019, the Company entered into joint development agreement with FMC Lithium US Corp. to complete the direct lithium extraction technology and confirm commerciality of the intellectual property through the construction of a pilot plant in 2021. The joint development agreement is being pursued through Devco, a jointly controlled entity. The Company accounts for its share of the assets, liabilities and expenditures of Devco using the proportionate consolidation method.

Share Capital

The Company records proceeds from share issuances net of share issue costs. Proceeds and issue costs from unit placements are allocated between shares and warrants issued according to their residual value. The residual value is attributed to the value of the warrants. The value of the share component and warrant is credited to share capital with any residual value attributed to the warrant. Upon exercise of the warrant, consideration paid by the warrant holder together with the amount previously recognized is recorded as an increase to share capital. In the event there is a change to the warrant terms (price or exercise date), no change is made to the initial value recognized for the warrant.

Contributed Surplus

Contributed Surplus records items recognized as share-based payments until such time that the stock options and agent's warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Foreign currency reserve records exchange differences arising from translation of the MAU Mexico's results and financial position from their functional currencies into Canadian dollars.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Adoption of New Accounting Standards

On January 1, 2019, the Company adopted the new IASB Lease Standard IFRS 16 - Leases. IFRS 16 requires that former operating leases be capitalized and recognized on the consolidated statement of financial position by the lessee. Lease assets and liabilities are initially measured at the present value of the unavoidable lease payments and amortized over the lease term. The Company adopted IFRS 16 using a modified retrospective approach (see Note 5). The modified retrospective approach does not require restatement of prior period financial information and recognizes the cumulative effect of IFRS 16 prior to January 1, 2019 as an adjustment to the opening retained deficit and applies the standard prospectively.

The Company has an office lease which expires May 1, 2022 and has determined that the office lease is a finance lease based on the following:

- The lease is for an identifiable asset;
- E3 is the beneficiary of all the economic benefits of the lease;
- Subject to the terms of the lease, E3 has the right to direct the use of the asset; and
- The lessor does not have substitution rights.

On adoption, the Company recorded a lease liability of $92,273 to reflect the present value of the remaining lease payments, discounted at E3's incremental borrowing rate of 8%. It also recorded a right of use asset of $86,934. On a monthly basis, the company reduces the lease liability as monthly lease payments are made and records interest expense on the outstanding amount of the liability using the incremental borrowing rate. It also records amortization expense of the right of use asset on a straight-line basis utilizing the initial five year term of the lease. The incremental borrowing rate was determined by using the rate of a short-term loan the Company entered into in 2018 and which was retired in 2019.

The Company also elected to apply the following methods as permitted under the standard:

- Leases with terms ending within 12 months are recognized as short-term leases.
- Short-term leases and leases of low value assets that have been identified are not recognized on the consolidated statement of financial position. Expenses for these leases are recognized as incurred with the amounts disclosed in the notes to the consolidated financial statements.
- The provision for leases previously recognized was applied to the value of the associated right-of-use asset. In this case, no impairment assessment was performed under IAS 36 Impairment.

3. RECEIVABLES

Receivables consist primarily of GST input tax credits and government grants due to the Company. The Company expects to realize on all outstanding receivables during the current fiscal period.

4. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture	Software Licenses	Leasehold Improvements	Total
Cost:					
At December 31, 2017	19,349	2,760	26,300	2,308	50,717
Acquisitions	1,331	-	-	12,460	13,791
At December 31, 2018	20,680	2,760	26,300	14,768	64,508
Acquisitions	-	-	1,128	-	1,128
At December 31, 2019	**$ 20,680**	**$ 2,760**	**$ 27,428**	**$ 14,768**	**$ 65,636**
Depreciation:					
At December 31, 2017	5,321	276	13,150	2,308	21,055
Depreciation	8,081	497	13,150	2,492	24,220
At December 31, 2018	$13,402	$773	$26,300	$4,800	$45,275
Depreciation	4,003	397	1,128	2,492	8,020
At December 31, 2019	**$ 17,405**	**$ 1,170**	**$ 27,428**	**$ 7,292**	**$ 53,295**
Net book value:					
At December 31, 2018	$ 7,278	$ 1,987	$ -	$ 9,968	$ 19,233
At December 31, 2019	**$ 3,275**	**$ 1,590**	**$ -**	**$ 7,476**	**$ 12,341**

5. RIGHT-OF-USE ASSETS

Upon adoption of IFRS 16, the Company recognized a right-of-use asset of $127,221 relating to its head office lease. The asset was measured at the present value of the remaining lease payments using the Company's incremental borrowing rate of 8%. The Company netted the previously recognized office lease provision of $40,287 against the associated right-of use asset on January 1, 2019. An adjustment to the opening retained deficit of $5,339 was recognized as a result of using the modified retrospective approach.

The terms of the Company's office lease allowed for early termination by providing notice of termination six months prior to end of the initial three year lease period. On November 28, 2019, the Company provided notice to terminate its office lease effective May 31, 2020. Pursuant to IFRS 16, this meets the conditions of a lease modification, which has been calculated effective December 1, 2019.

5. RIGHT-OF-USE ASSETS (cont'd)

The following outlines the required right-of-use entries:

At December 31, 2018 and 2017	$ –
Classification of right-of-use asset	127,221
Previously recognized amortization of asset	(40,287)
Right-of-use asset recognized at January 1, 2019	86,934
Amortization to November 30, 2019	(23,324)
Amortization for December 2019	(2,287)
Reduction of right-of-use asset as a result of lease modification	(49,890)
At December 31, 2019	**$ 11,433**

6. EXPLORATION AND EVALUATION ASSETS

The Company's properties are currently comprised of 68 Mine and Mineral ("MIM") Permits, which includes the rights for lithium, totaling 554,801 hectares (5,548 square kilometers) that can be further sub-divided into five separate sub-properties, or groups of contiguous permits:

- Clearwater Sub-Property: 21 contiguous permits totaling 157,305 hectares;
- Exshaw Sub-Property: 18 contiguous permits totaling 142,285 hectares;
- Rocky Sub-Property: 24 contiguous permits totaling 184,022 hectares;
- Sunbreaker Sub-Property: 2 contiguous permits totaling 15,678 hectares; and
- Drumheller Sub-Property: 8 contiguous permits totaling 55,511 hectares.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

The following table summarizes the Company's E&E asset expenditures in its Alberta Petro-Lithium Project as at December 31, 2019:

Acquisition Costs:		
Balance December 31, 2017	$	1,508,524
Common shares issued for acquisition of properties (Note 12)		140,000
Permitting and other acquisition costs		485
Balance December 31, 2018		1,649,009
Permit applications		3,750
Balance December 31, 2019	**$**	**1,652,759**
Exploration Costs:		
Balance, December 31, 2017		394,578
Amortization of licenses		12,306
Geologic software licenses		15,936
Environmental consulting		9,113
Geochemistry analysis		44,967
Geological and geochemistry consulting		206,055
Metallurgical assessments		2,700
Capitalized expenses		161,469
Other		14,943
Balance, December 31, 2018	$	862,067
Engineering consultants		135,000
Geological consultants		23,428
Amortization of licenses		22,309
Capitalized expenses		25,915
Balance, December 31, 2019	**$**	**1,068,719**
Total, December 31, 2018	$	2,511,076
Total, December 31, 2019	**$**	**2,721,478**

7. INTANGIBLE ASSETS

On December 28, 2018, E3 filed a patent application in the U.S. on technology that was developed in conjunction with the Alessi Lab at the University of Alberta. The patent application was for "Lithium Extraction From Low Grade Petro-Brine by Ion Exchange" and was assigned the Provisional Patent Application No. 62/786,106 (the "Intellectual Property" or "IP"). The Company subsequently filed an international PTC patent December 20, 2019. Upon issuance, the patent is expected to have a finite life (expected to be between 14 and 20 years). Amortization will commence when the patent is issued.

In 2019, E3 spent $402,266 on the continuing development of the Intellectual Property; $313,729 was spent directly by E3; and the Company included its 50% share of the amount spent by Devco - $88,537. E3 also received $165,321 in grant funding, which was offset the development costs incurred.

7. INTANGIBLE ASSETS (cont'd)

	December 31, 2019	December 31, 2018
Opening balance	**$ -**	$ -
Consultants	**286,530**	-
Water analysis	**20,084**	-
Other expenditures	**7,115**	-
E3's share of IP development expenditures incurred by Devco	**88,537**	-
	402,266	-
Grants received	**(165,321)**	-
Balance, end of year	**$ 236,945**	**$ -**

8. JOINT OPERATION

Under the terms of the USA entered into in September 2019 with FMC Lithium USA Corp ("Livent"), E3 purchased fifty (50) common shares of Devco, representing a 50% ownership of the company. In addition, E3 granted Devco a perpetual, exclusive, royalty-free intellectual property license. The Company's intellectual property consists of its proprietary Ion-Exchange technology

Devco's purpose is to complete the development of the Company's proprietary Direct Lithium Extraction technology and to demonstrate commercial viability through the construction of a pilot plant. E3 has committed the time of three of its full-time employees to Devco to work with employees from Livent to further the development work. The technology development work is being carried out at the Green Centre in Kingston, Ontario and at Livent's research facilities in Bessemer City, North Carolina.

On October 12, 2019, Livent contributed US $1.5 million (approximately CAD $2.0 million) to Devco which is being used to fund the development work being conducted through Devco. Livent has no recourse to demand repayment of the contribution; therefore the Company's share of contribution has been recognized within equity. The contribution, however, is restricted to jointly approved expenditures of Devco. At December 31, 2019, the Company share of cash restricted to jointly approved Devco expenditures was $916,358.

In accordance with IFRS 11 – Joint Arrangements, the Company's investment is considered a joint operation. As a result, the Company's recognized its share of the jointly held assets and liabilities as well as its share of the jointly incurred expenses relating to the ownership of Devco.

8. JOINT OPERATION (cont'd)

The following summarizes the amounts included in the Company's financial statements at December 31, 2019 as a result of the joint operation with Devco:

	E3 Metals – 50%	Devco – 100%
Cash	**$ 916,358**	$ 1,832,717
GST receivable	**2,255**	4,509
Intangible assets	**88,537**	177,073
Accounts payable and accrued liabilities	**40,274**	80,548
Contributed capital	**997,275**	1,994,551
Current year deficit	**(30,466)**	(60,932)

9. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	December 31, 2019	December 31, 2018
Trade payables	$ 228,183	$ 70,296
Engineering - commercial project study	105,000	-
Intangible assets	70,033	-
Invoices payable to Devco	24,675	-
Exploration	-	25,617
Balance, end of year	**$ 427,891**	**$ 95,883**

The majority of the 2019 trade payables are legal bills ($164,392) related to the Livent negotiations and patent costs.

10. FLOW-THROUGH PREMIUM LIABILITY

	December 31, 2019	December 31, 2018
Balance, beginning of year	$ -	$ 71,029
Amortization of flow-through premium liability	-	(71,029)
Balance, end of year	**$ -**	**$ -**

In 2017, the Company received $543,700 of flow-through share proceeds and renounced the full amounts to the flow-through share subscribers at December 31, 2017 using the "general" and "look back" rules. The Company incurred $543,700 of Qualifying CEE by December 31, 2018 with respect to the flow-through shares previously issued.

The flow-through premium liability did not represent a cash liability to the Company and was fully amortized to the statement of comprehensive loss when the Qualifying CEE expenditures were incurred.

11. LEASE LIABILITIES

Upon adoption of IFRS 16, the Company recognized a lease liability of $121,992 within current and long-term liabilities relating to its head office lease. The liability was measured at the present value of the remaining lease payments using the Company's commercial borrowing rate of 8% on its short-term loan. The Company netted the previously recognized office lease provision of $29,719 against the associated right-of use asset on January 1, 2019.

The terms of the Company's office lease allowed for early termination by providing notice of termination six months prior to end of the initial three year lease period. On November 28, 2019, the Company provided notice to terminate its office lease effective May 31, 2020. Pursuant to IFRS 16, this meets the conditions of a lease modification, which has been calculated effective December 1, 2019.

Lease Liability:	
At December 31, 2018	$ –
Classification of initial liability	121,992
Previously recognized office lease provision	(29,719)
Lease liability recognized at January 1, 2019	92,273
Interest on lease liability	5,928
Current office lease provision	(30,750)
Reduction of lease liability as a result of lease modification	(54,807)
At December 31, 2019	**$ 12,644**

The following table sets of a maturity analysis of the lease liability following lease modification:

Maturity Analysis – contractual undiscounted cash flows	**December 31, 2019**
Less than one year	**$ 12,813**

Lease liability included in the statements of financial position at December 31, 2019	**$ 12,644**

The Company has recognized the following non-cash amounts in the consolidated statement of comprehensive loss:

Interest on lease liability to November 30, 2019	$ 5,844
Interest on lease liability for December 2019	84
Total interest on lease liability recorded in 2019	$ 5,928

The company has recognized cash outflows of $30,750 (2018 – $30,750) in the consolidate statement of cash flows

12. SHARE CAPITAL

Authorized share capital

Unlimited common shares with no par value.

Issued and outstanding

Share capital transactions during the year ended December 31, 2019 were as follows:

(i) On April 4, 2019, the Company completed a non-brokered private placement of 3,971,984 units at 90716a price of $0.35 per unit for aggregate gross proceeds of $1,390,194. Each unit consisted of one common share of the Company and one-half of one transferable common share purchase warrant, with each full warrant entitling the holder to acquire one additional common share at a price of $0.45 until April 4, 2021. As the closing price of the Company's shares on April 4, 2019 exceeded the unit price of the private placement ($0.40 and $0.35 respectively), no residual value was allocated to the warrants.

In connection with the private placement, the Company paid cash-based finders' fee of $43,542 and issued 124,404 non-transferable finder's warrants to certain agents. Each finder's warrant entitles the holder thereof to acquire one additional common share at a price of $0.45 until April 4, 2021. The finder's warrants were recorded at a fair value of $19,511. The fair value of the broker warrants was calculated using the following inputs: stock price – $0.40, exercise price – $0.45, volatility – 77.62%, discount rate – 1.58%.

(ii) On July 15, 2019, 100,000 common shares were issued pursuant to the exercise of 100,000 stock options at a price of $0.40 per share for gross proceeds of $40,000. A total of $24,476 in share-based compensation related to the exercise of the stock options was reclassified from Contributed Surplus to Share Capital.

(iii) On October 18, 2019, 56,015 common shares were issued to third party consultant for services provided. The fair value attributed to the shares was $23,313.

(iv) On September 17, 2019, the Company paid a finder's fee of $118,809 and issued finders warrants of 101,935 in relation to the joint development agreement signed with FMC Lithium USA Corp. The warrants are exercisable until September 17, 2021 at a price of $1.17 per share. The finder's warrants were recorded at a fair value of $9,912. The fair value of the broker warrants was calculated using the following inputs: stock price – $0.53, exercise price – $1.17, volatility – 72.17%, discount rate – 1.62%.

(v) On December 18, 2019, the Company completed a non-brokered private placement of 2,267,900 units at a price of $0.40 per unit for aggregate gross proceeds of $907,160. Each unit consisted of one common share of the Company and one-half of one transferable common share purchase warrant, with each full warrant entitling the holder thereof to acquire one additional common share at a price of $0.60 until June 18, 2022. The closing price of the Company's shares on December 18, 2019 was $0.33. Utilizing residual value method, the fair value of the common shares was recorded as $748,407 and the warrants were recorded at a value of $158,753.

12. SHARE CAPITAL (cont'd)

Share capital transactions during the year ended December 31, 2018 were as follows:

(i) On August 20, 2018, the Company completed a non-brokered private through which the Company issued 3,232,500 units of the Company at a price of $0.40 per unit for gross proceeds of $1,293,000. Each unit comprised of one common share of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share with an exercise price of $0.40 for a period of 4 months following the date of issuance, and an exercise price of $0.60 thereafter. All common share purchase warrants expire on August 20, 2018. The common share purchase warrants were recorded at the residual value of $226,275. The Company also incurred $20,325 in cash commissions and issued 67,750 broker warrants on the same terms as the common share purchase warrants to certain brokers in connection with this private placement. The broker warrants were recorded at a fair value of $4,705. The fair value of the broker warrants was calculated using the following inputs: stock price – $0.33, exercise price – $0.60, volatility – 98.04%, discount rate – 1.9%.

(ii) The Company issued 350,000 common shares valued at $140,000 or $0.40 per common share for the acquisition of 3 MIM permits in the Exshaw Project Area from Fathom (Note 8). 150,000 of these shares are subject to an escrow restriction until February 23, 2018.

(iii) The Company issued 335,000 common shares pursuant to the exercise of 335,000 share purchase warrants at a price of $0.40 per share for gross proceeds of $134,000, of which $20,000 was received on December 31, 2017 and recorded in common stock subscribed. These warrants were issued under the April 2017 private placement and were subject to an acceleration provision. The Company exercised the acceleration provision right after its common shares traded on the TSX-V at a price of $0.80 or more for 20 consecutive days and issued a notice to warrant holders to accelerate the expiry date of the warrants to January 5, 2018.110,000 warrants from the April 10, 2017 grant expired unexercised on January 5, 2018.

(iv) The Company issued 25,000 common shares pursuant to the exercise of 25,000 share purchase warrants by an officer of the Company at $0.30 per share for gross proceeds of $7,500.

(v) On December 7, 2018, the Company issued 72,093 common shares to an arm's length service provider at a deemed price of $0.43 per common share to settle outstanding debt of $31,000. The Company recorded a gain on settlement of debt of $7,930 for the transaction.

(vi) On December 19, 2018, the Company completed a non-brokered private placement. Under this private placement, the Company issued 307,500 units of the Company at a price of $0.40 per unit for gross proceeds of $123,000. Each unit was comprised of one common share of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share with an exercise price of $0.60. All common share purchase warrants expire on June 18, 2020. The common share purchase warrants were recorded at the residual value of $21,525. The Company also issued 10,000 finder's warrants on the same terms as the common share purchase warrants to certain brokers in connection with this private placement. The finder's warrants were recorded at a fair value of $859. The fair value of the warrants was calculated using the following inputs: stock price – $0.33, exercise price – $0.60, volatility – 89.8%, discount rate – 1.9%.

12. SHARE CAPITAL (cont'd)

Escrow Shares

Under certain escrow agreements dated May 30, 2017, 6,000,000 shares issued to the former shareholders of the Alberta Co. were placed in escrow. 10% of the escrowed common shares were released from escrow on the date of the closing of the Transaction (the "Initial Release") and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months. As at December 31, 2019, a total of 900,000 (2018 – 2,900,000) common shares were held in escrow.

150,000 of the common shares issued to Fathom for acquisition of the MIM permits were subject to escrow restriction, which expired February 23, 2018.

Share Purchase Warrants

The issuances of the share purchase warrants are summarized as follows:

	December 31, 2019		December 31, 2018	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Warrants, beginning of year	**4,273,150**	**$ 0 .55**	1,279,366	$ 0 .40
Issued in connection with the private placement	**1,985,992**	**0.45**	3,232,500	0.40
Issued in connection with the private placement	**1,133,950**	**0.60**	307,500	0.60
Broker warrants	**-**	**-**	67,750	0.60
Finders' warrants	**124,404**	**0.45**	10,000	0.60
Finders' warrants	**101,935**	**1.17**	-	-
Exercised	**-**	**-**	(310,000)	0.39
Expired	**(3,232,500)**	**0.70**	(182,100)	0.40
Expired	**(67,750)**	**0.60**	(131,866)	0.50
Expired	**(80,400)**	**1.00**	-	-
Warrants, end of year	**4,238,781**	**$ 0 .50**	4,273,150	$ 0 .55

12. SHARE CAPITAL (cont'd)

The share purchase warrants outstanding and exercisable as at December 31, 2019:

Grant date	Number of warrants outstanding	Exercise price		Expiry date	Weighted average life of warrants (years)	Number of warrants exercisable
May 30, 2017	575,000	$	0.30	April 19, 2020	0.30	575,000
December 19, 2018	307,500	$	0.60	June 18, 2020	0.49	307,500
December 19, 2018	10,000	$	0.60	June 18, 2020	0.49	10,000
April 4, 2019	1,985,992	$	0.45	April 4, 2021	1.26	1,985,992
April 4, 2019	124,404	$	0.45	April 4, 2021	1.26	124,404
September 17, 2019	101,935	$	1.17	Sept 17, 2021	1.72	101,935
December 19, 2019	1,133,950	$	0.60	June 19, 2022	2.47	1,133,950
	4,238,781	**$**	**0.50**		**1.41**	**4,238,781**

Stock options

The Company adopted a 10% rolling stock option plan (the "Plan") that enables management to grant options to directors, officers, employees and other service providers. The Company follows the policies of the Exchange where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options. Options granted fully vest on the date of grant, except for options issued to Consultants, which vest in stages over 12 months with no more than 25% of the options vesting in any 3 month period.

A summary of the Company's stock option transactions is presented below:

	December 31, 2019		December 31, 2018	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of period	**1,885,000**	**$ 0.64**	1,095,000	$ 0.64
Granted	**1,125,000**	**$ 0.43**	815,000	$ 0.40
Exercised	**(100,000)**	**$ 0.40**	-	$ -
Expired	**(995,000)**	**$ 0.64**	(25,000)	$ 0.68
Options outstanding, end of period	**1,915,000**	**$ 0.42**	1,885,000	$ 0.55

12. SHARE CAPITAL (cont'd)

Stock options (cont'd)

The share options outstanding and exercisable as at December 31, 2019:

Grant date	Number of Options outstanding	Exercise price	Expiry date	Number of Options exercisable
June 14, 2017	75,000	$ 0.40	June 14, 2020	75,000
August 21, 2018	540,000	$ 0.40	August 21, 2021	498,334
December 27, 2018	175,000	$ 0.40	December 27, 2021	158,330
January 22, 2019	150,000	$ 0.40	January 22, 2024	150,000
May 31, 2019	475,000	$ 0.43	May 31, 2022	475,000
July 10, 2019	300,000	$ 0.43	July 10, 2021	300,000
September 11, 2019	100,000	$ 0.50	September 11, 2022	–
November 11, 2019	100,000	$ 0.40	November 11, 2022	–
	1,915,000	$ 0.42		**1,656,664**

The weighted average life of options outstanding is 1.85 years (2018 – 1.60).

On January 22, 2019, the Company granted 150,000 stock options to a consultant of the Company. The stock options have an exercise price of $0.40 and expire five years from the date of grant. The stock options vested on the date of issuance.

On May 31, 2019, the Company granted 475,000 stock options to employees, advisors, directors, and consultants of the Company. The stock options have an exercise price of $0.43 and expire two years from the date of grant. The stock options vested on the date of issuance.

On July 10, 2019, the Company granted 300,000 stock options to advisors and a consultant of the Company. The stock options have an exercise price of $0.43 and expire two years from the date of grant. The stock options vested on the date of issuance.

On September 11, 2019, the Company granted 100,000 stock options to consultants of the Company. The stock options have an exercise price of $0.50 and expire three years from the date of grant. The stock options fully vest on September 11, 2020.

On November 11, 2019, the Company granted 100,000 stock options to a consultant of the Company. The stock options have an exercise price of $0.40 and expire three years from the date of grant. The options vest 25% quarterly for the first year following the date granted.

On August 21, 2018, the Company granted a total of 640,000 stock options to the CFO, an employee, advisors and consultants of the Company. The stock options have an exercise price of $0.40 and expire three years from the date of grant. The stock options vest at various periods beginning three months from the date of grant and ending eighteen months following the date of grant.

12. SHARE CAPITAL (cont'd)

Stock Options (cont'd)

On December 27, 2018, the Company granted a total of 175,000 stock options to the CEO, VP of Project Development and an employee of the Company. The stock options have an exercise price of $0.40 and expire three years from the date of grant. The stock options vest 50% on the date of grant and 50% 3 months following the date of grant.

The fair value of options was estimated using the Black-Scholes option pricing model based on the date of grant and using the following assumptions:

Year ended December 31,	2019	2018
Risk-free interest rate	1.47% - 1.93%	1.91% -2.12%
Expected stock price volatility	64% - 75%	102% - 125%
Expected life	2 - 5 years	3 years
Expected dividend yield	-	-
Fair value per option granted	$0.16 – $0.24	$0.21 - $0.23
Forfeiture rate	0%	0%

During the year ended December 31, 2019, the Company recorded $283,792 (2018 - $180,532) in share-based compensation expense for the options granted and vested during the period.

13. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

During the year ended December 31, 2019 and 2018, the remuneration of the key management personnel was as follows:

Year ended December 31,		2019		2018
Management salaries and benefits (i)	$	313,245	$	301,600
Consulting fees (ii)		95,760		30,150
Share-based compensation (iii)		43,522		33,524
Administrative fees (iv)		-		18,750
Total	**$**	**452,526**	**$**	**384,024**

(i) In 2017, the Company entered into employment agreements (as amended) with the CEO and the VP Corporate Affairs and Exploration of the Company that ratify annual compensation of $145,000 plus benefits for each individual. On April 1, 2019, the annual compensation for the CEO and VP of Project Development increased to $152,250 plus benefits. During the year ended December 31, 2019, the Company paid gross management salaries and benefits of $313,245 (2018 - $301,600) pursuant to these agreements.

13. RELATED PARTY TRANSACTIONS (cont'd)

(ii) On May 10, 2018, the Company entered into an agreement with The CFO Centre Limited to provide part-time CFO services to the Company on a contract basis. For the year ended December 31, 2019, the Company paid $95,760 (2018 - $30,150) in fees pursuant to the agreement of which $80,100 related to 2019 services.

(iii) The Company recognised share-based compensation of $43,522 (2018 -$33,524) on the vested portions of the stock options granted to the CEO, CFO and VP Corporate Affairs and Exploration and a director of the Company for the year ended December 31, 2019.

(iv) Effective July 1, 2015, the Company had a 3 year-term agreement with Varshney Capital Corp. ("VCC"), a company partially controlled by a common director, to provide management and administrative services to the Company in exchange for a monthly fee of $2,500 and $3,000, respectively. On March 1, 2017, the Company terminated its management and administrative services agreement with VCC and paid a reduced management service fee of $500 for the month of February 2017.

Effective June 1, 2017, the Company entered into a new agreement with VCC to provide accounting and administrative services to the Company in exchange for a monthly fee of $3,750. This agreement terminated on May 31, 2018.

During the year ended December 31, 2019, the Company paid $nil (2018 - $18,750) for administrative fees to VCC.

At December 31, 2019, a total of $15,109 (December 31, 2018 - $22,465) was due to directors and officers of the Company or their related companies for reimbursement of travel and project related expenses and consulting fees.

During the year ended December 31, 2018, 25,000 share purchase warrants were exercised by the VP of Project Development at $0.30 per share for gross proceeds of $7,500.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for year ended December 31, 2019 and 2018 included:

- Fair value of shares issued for acquisitions of mineral properties of $nil (2018 - $140,000);
- Fair value of common share purchase warrants issued for acquisitions of mineral properties of $nil (2018 - $320,645);
- Fair value of broker warrants issued for acquisitions of mineral properties of $nil (2018 - $6,720);
- Valuation of the right-of-use asset of $61,490 (2018 - $nil) and lease liabilities $67,816 (2018 - $nil); and
- The inclusion of 50% of the assets, liabilities, equity and expenses of Devco.

15. FINANCIAL RISK AND CAPITAL MANAGEMENT

As at December 31, 2019, the Company's financial instruments include cash, receivables, trade payables, short-term loan, and due to related parties. Their carrying values approximate their fair values dud to their short terms to maturity.

The Company's financial instruments are exposed to credit risk, liquidity risk, and market risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and receivables. The Company minimizes its exposure to credit risk by placing its cash with Canadian Schedule 1 Chartered banks. While there is concentration of risk by holding all funds with these institutions, management assesses credit risk of cash as low due to the high credit quality rating the institutions have with the rating agencies. Devco's cash is deposited with a separate Canadian Schedule 1 Chartered Bank than those utilized by the Company. As at December 31, 2019, the Company had cash and restricted cash of $277,464 (2018 - $347,547) and $945,108 (2018 - $nil) respectively.

The Company's secondary exposure to credit risk is on its receivable balance. This risk is minimal as receivables consist of refundable government sales taxes of $34,087 (2018 - $14,092) as well as a trade receivable $8,500 (2018 - nil).

Currency risk

The Company's current direct operations are not exposed to significant foreign currency risk. The majority of Devco's cash is held in $US, so the Company is exposed to $CDN/$US foreign currency risk on 50% of Devco's cash. Devco does not have any hedging facilities in place.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The fair value of the Company's financial instruments is relatively unaffected by changes in interest rates. The Company is exposed to interest rate risk on its bank deposit, which earns interest at a variable rate. Based on the cash balance at December 31, 2019, the effect of a 10% fluctuation in interest rates would not be material.

Liquidity and funding risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company tries to achieve this by maintaining sufficient cash to cover current liabilities as they mature.

As at December 31, 2019, the Company had a working capital of $1,054,201 (2018 - $258,553). As at December 31, 2019, the Company had a cash balance of $277,464 (2018 - $347,547) and restricted cash $945,108 (2018 - $nil), which is sufficient to pay its current cash liabilities of $443,048 (2018 - $122,501) and to continue operations in the short-term. The Company will need to

15. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

Liquidity and funding risk (cont'd)

secure additional funding to continue operations through 2021.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. While the Company has been successful in raising capital in the past, there is no guarantee it will be able to do so in the future.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations. The Company's policy and objective is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and contributed surplus, net of accumulated deficit. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company invests all capital in surplus to its immediate operational needs in short-term liquid and highly-rated financial instruments, such as cash held with major financial institutions. The Company does not pay out dividends.

There were no changes in the Company's approach to capital management during the year ended December 31, 2019. The Company is not subject to any externally imposed capital requirements.

In 2018, the Company received funding of $40,000 from IRAP toward the salaries of an intermediate chemical process engineer and a junior geologist. The grant was paid over a six-month period.

On April 25, 2019, the Company signed an agreement with the National Research Council Canada ("NRC") pursuant to which it would receive up to $20,000 in IRAP funding on a reimbursement basis to offset the costs of additional support staff between May 15 and November 30, 2019. The Company applied for the initial reimbursement funding in July 2019 and received $20,000 in 2019.

The Company received grant approval of $56,000 from NRC-IRAP in 2018 towards technology development at National Research Council laboratories in Ottawa and Vancouver. E3 received a total of $55,320 under this program as of August 2019. The project was completed in July 2019.

In 2018, the Company received grant approval for $100,000 in indirect funding from the National Science & Engineering Research Council ("NSERC") under the collaborative research and development grant program to support the advancement of the Company's lithium concentration technology. Pursuant to the terms of the grant NSERC matched $100,000 in Company payments to the University of Alberta, which assisted the Company in its technology development.

The Company also received grant approval of $100,000 from Alberta Innovates ("AI"), an Alberta provincial funding agency, to assist in the technology development work at Green Center Canada. The funding will continue to support the development and scaling of the Company's concentration

15. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

technology towards commercialization. The Company invoiced AI for $10,000 in 2018 and $90,000 during the nine months ended September 30, 2019.

In 2019, E3 was awarded a Technology Development Project under GreenCentre Canada's RISE (Raising Innovative and Sustainable Enterprises) program, which involved a 6-month project at no cost to the Company to advance E3's proprietary ion exchange direct lithium extraction technology. The project completed early in 2020.

16. INCOME TAX EXPENSE DEFERRED TAX ASSETS AND LIABILITIES

December 31	2019	2018
Loss for the year before income taxes	$ (2,346,791)	$ (1,379,487)
Combined statutory tax rates	26.5%	27%
Computed tax recovery	(621,900)	(372,461)
Increase resulting from:		
Share-based compensation	75,205	48,744
Non-deductible expenses and Other	389,100	31,324
Deferred tax assets not recognized	157,595	292,393
Income tax expense (recovery)	$ -	$ -

The statutory tax rate decreased due to a decrease in the Alberta provincial tax rate on July 1, 2019.

The Company has the following unrecognized deductible temporary differences and unused losses for which no deferred tax asset has been recognized:

December 31	2019	2018
Exploration and evaluation assets	$ 511,402	$ 511,402
Share issuance costs	111,433	111,017
Investment tax credits	880,752	880,752
Other	1,211	-
Non-capital loss carry-forwards	8,845,292	7,120,810
	$ 10,350,090	$ 8,623,981

The deferred tax asset (liability) is comprised of the following:

December 31	2019	2018
Exploration and evaluation assets	$ (198,167)	$ (230,867)
Non-capital loss carry-forwards	198,167	230,867
	$ -	$ -

16. INCOME TAX EXPENSE DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

The tax pools relating to these deductible temporary differences expires as follows:

	Canadian loss carry-forwards	Mexican loss carry-forwards	Investment tax credits
2019	$ -	$ -	$ 200,745
2020	-	-	276,113
2021	-	1,120,841	46,200
2022	-	805,164	117,272
2023	-	341,252	240,422
2024	-	35,763	-
2025	-	17,525	-
2026	213,426	-	-
2027	308,423	-	-
2028	212,794	-	-
2029	187,351	-	-
2030	220,183	-	-
2031	595,458	-	-
2032	350,213	-	-
2033	245,439	-	-
2034	237,171	-	-
2035	195,527	-	-
2036	144,279	-	-
2037	1,048,512	-	-
2038	1,320,441	-	-
2039	2,107,125		
	$ 7,386,343	$ 2,320,545	$ 880,752

17. COMMITMENTS

MIM Permits

Pursuant to the terms of the MIM Permits, the Company is required to incur exploration expenses during each "two year period" to maintain the permits. The following is a summary of the expense requirements:

	$/hectare
Years 1 and 2	$5.00
Years 3 and 4, Years 5 and 6	$10.00
Years 7 and 8, Years 9 and 10, Years 11 and 12, Years 13 and 14	$15.00

As of December 31, 2019, the Company has permits in both the first year (45,179 hectares) and second year (509,622 hectares) "Years 1 and 2 periods" and will need to demonstrate development expenses of approximately $1.2 million in 2020, $4.3 million in 2021 and $1.4 million in 2022 to continue the permits into the following two year periods. As disclosed in Note 6, the Company holds permits over 554,801 hectares as of December 31, 2019.

18. SUBSEQUENT EVENTS

On February 5, 2020, the Company issued 75,000 common shares pursuant to the exercise of 75,000 stock options at a price of $0.40 per share.

On March 2, 2020, the Company closed the second tranche of its non-brokered private placement financing announced on November 20, 2019 by issuing 3,004,500 units at a price of $0.40 per unit for a total gross proceeds of $1,201,800. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one additional common share at an exercise price of $0.60 for a period of 30 months following the date of issuance. Commissions comprised of $18,000 cash and 45,000 broker warrants were issued in connection with the second tranche closing. Broker warrants issued carry the same terms as the warrants.

The impact of the Covid-19 pandemic on the world's financial markets may make it a significant challenge for the Company to raise new equity. On the advice of the Canadian public health authorities E3 Metals has temporarily ceased all non-essential travel and have implemented a work from home program for all staff. As of the date of these financial statements, the laboratory development work continues, however we do anticipate some delays as our partners, specifically GreenCentre Canada and Livent Corp., implement their own safety protocols.

On March 23, 2020, Alberta Energy announced it would offer one-year extensions for Metallic and Industrial Mineral permits expiring from March 20, 2020 up to and including December 31, 2020. The Company will make application for these extensions, which will defer certain expenditures referenced in Note 17.