E3 METALS CORP

Management Discussion and Analysis

For the year ended December 31, 2018

This Management Discussion and Analysis ("MD&A") of E3 Metals Corp. (the "Company" or "E3 Metals") provides a summary of the activities, results of operations and financial condition of the Company as at and for the years ended December 31, 2018 and 2017. The MD&A has been prepared by management as of April 1, 2019, and should be read together with the audited consolidated financial statements for the years ended December 31, 2018 and 2017 and related notes thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian Dollars unless otherwise indicated.

The Company is an exploration company engaged in the acquisition and exploration of resource properties. The Company's shares trade on the TSX Venture Exchange (the "Exchange") under the trading symbol "ETMC".

Forward-looking statements

These forward-looking statements are based on current expectations and various estimates, factors and assumptions, and involve known and unknown risks, uncertainties and other factors. All statements, other than statements of historical fact, included herein, including without limitation, statements about the Company's ability to effectively implement its planned exploration programs; unexpected events and delays in the course of its exploration and drilling programs; the ability of the Company to raise the capital necessary to conduct its planned exploration programs and to continue exploration on its properties; the failure to discover any significant amounts of lithium or other minerals on any of the Company's properties; the fact that the Company's properties are in the exploration stage and exploration and development of mineral properties involves a high degree of risk and few properties which are explored are ultimately developed into producing mineral properties; the fact that the mineral industry is highly competitive and E3 Metals will be competing against competitors that may be larger and better capitalized, have access to more efficient technology, and have access to reserves of minerals that are cheaper to extract and process; the fluctuations in the price of minerals and the future prices of minerals; the fact that if the price of minerals deceases significantly, any minerals discovered on any of the Company's properties may become uneconomical to extract; the continued demand for minerals and lithium; that fact that resource figures for minerals are estimates only and no assurances can be given than any estimated levels of minerals will actually be produced; governmental regulation of mining activities and oil and gas in Alberta and elsewhere, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; environmental regulation, which mandate, among other things, the maintenance of air and water quality standards and land reclamation, limitations on the general, transportation, storage and disposal of solid and hazardous waste; environmental hazards which may exist on the properties which are unknown to E3 Metals at present and which have been caused by previous or existing owners or operators of the properties; reclamation costs which are uncertain; the fact that commercial quantities of minerals may not be discovered on current properties or other future properties and even if commercial quantities of minerals are discovered, that such properties can be brought to a stage where such mineral resources can profitably be produced there from; the failure of plant or equipment processes to operate as anticipated; the inability to obtain the necessary approvals for the further exploration and development of all or any of the Company's properties; risks inherent in the mineral exploration and development business; the uncertainty of the requirements demanded by environmental agencies; the Company's ability to hire and retain qualified employees and consultants necessary for the exploration and development of any of E3 Metals' properties and for the operation of its business; and other risks related to mining activities that are beyond the Company's control.

Forward-looking statements contained herein are made as of the date of this MD&A, and the Company disclaims any obligation to update any forward-looking statements, except as required by law, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Corporate Summary

The Company was incorporated on August 19, 1998 under the laws of British Columbia. The Company is presently a "Venture Issuer", as defined in NI 51-102.

The Company has a wholly-owned Canadian subsidiary, 0904254 BC Ltd. ("0904254 BC"), incorporated on March 1, 2011, and a Mexican subsidiary, Mexigold Resources SA de CV ("MAU Mexico"), incorporated on March 4, 2011, whereby the Company owns 99% and 0904254 BC owns 1% of MAU Mexico. During the year ended December 31, 2018, the Mexican subsidiary and the Canadian subsidiary were dissolved.

Effective July 9, 2015, the Company's listing was transferred to the NEX board of the Exchange ("NEX") in accordance with TSX-V Policy 2.5 as the Company was not able to maintain the requirements for a TSX-V Tier 2 company. The Company was listed on NEX under the symbol SAV.H.

On August 22, 2016, the Company changed its name from Mexigold Corp. to Savannah Gold Corp. and its stock symbol from MAU.H to SAV.H. The Company also consolidated its share capital on a ratio of one new post-consolidated common share for every two old pre-consolidated common shares.

Effective March 3, 2017, the Company consolidated its share capital on a ratio of five old common shares for every one new post-consolidated share. On completion of the consolidation, the Company had 3,046,021 issued and outstanding common shares.

On May 30, 2017, the Company completed a Fundamental Acquisition (as that term is defined in the policies of the Exchange) (the "Transaction") with 1975293 Alberta Ltd.("Alberta Co"), whereby all outstanding securities of Alberta Co. have been exchanged for securities of the Company pursuant to a Definitive Share Exchange Agreement dated May 8, 2017. The Company changed its name to E3 Metals Corp. and upgraded its listing to Tier 2 of the Exchange subsequent to the closing of the Transaction.

As part of the Transaction, the Company paid Alberta Co. $150,000 in cash to settle its outstanding debt owed to Revere Development Corp., issued a total of 6,000,000 common shares of the Company (the "Escrow Shares") and 600,000 share purchase warrants in exchange for all of the issued and outstanding shares and share purchase warrants of Alberta Co.

Alberta Lithium Project

The Company is developing a new source of lithium, called “Petro-Lithium”, from water reservoirs surrounding oil and gas fields in Alberta. Pursuant to the Transaction, the Company acquired a 100% interest in the Alberta Petro-Lithium Project covering the Leduc reservoir in south-central Alberta and comprised of 10 Alberta Metallic and Industrial Mineral Permits (“MIM Permits”) totaling 87,965 hectares (879.65 square kilometres). The Company acquired 61 additional MIM Permits in July 2017. In February 2018, the Company acquired 3 additional MIM permits in the Exchaw area from Fathom Minerals Ltd. In consideration of $35,000 and 350,000 common shares of the Company issued on Exchange Approval.

The Company’s properties are currently comprised of 76 MIM Permits, which includes the rights for lithium, totaling 593,165 hectares (5,931 square kilometers).

These projects were specifically selected, and were of the first to be staked in the region for lithium exploration, due to their ability to deliver the large volumes of water required for direct extraction of lithium from Petro-Lithium brines. Historical lithium concentrations in the region range as high as 135mg/L within the Leduc reservoir. Ease of on-the-ground access in combination with the large amount of existing infrastructure and well data associated with the production of oil and gas is the reason E3 Metals has focused its efforts in the region.

Inferred Mineral Resource Estimates

In 2017, the Company completed two National Instrument 43-101 inferred mineral resource estimates of a combined 2.83 million tonnes of LCE. This includes the Central Clearwater Resource Area: 4,617,079,087 cubic metres (4.6 cubic kilometres) of brine formation water at an average grade of 77.4 milligrams per litre for 1.9Mt of LCE. On the North Rocky Resource Area: 3,312,431,608 cubic meters (3.3 cubic kilometers) of brine formation water at an average grade of 52.9 milligrams per litre for 0.93Mt of LCE. Lithium is converted to LCE by multiplying by 5.323.

In May 2018, the Company completed a third National Instrument 43-101 inferred mineral resource estimate of 3.9 million tonnes (Mt) lithium carbonate equivalent (LCE) in the Exshaw West resource area (“Exshaw West”). The magnitude of this new resource area, in addition to the North Rocky and Central Clearwater resource areas, demonstrates the project's significant lithium production potential.

The Company plans to evaluate the potential to upgrade portions of its inferred resource to measured and indicated in 2018 to 2019.

Highlights:

- The Central Clearwater Area contains an Inferred Mineral Resource of 4.6 billion m3 of brine formation water at an average grade of 77.4 mg/L lithium calculated as total producible brine.
- The North Rocky Resource Area contains an Inferred Mineral Resource of 3.3 billion m3 of brine formation water at an average grade of 52.9 mg/L lithium calculated as total producible brine.
- The Exshaw West resource area (EWRA) contains an estimated total of 19.5 billion m3 of brine formation water at an average grade of 75 milligrams/litre (mg/L) lithium.
- E3 Metals total combined inferred lithium mineral resources (over Rocky Property, Clearwater Property and Exshaw West) is 6.7 Mt LCE and covers only 34% of E3 Metals’ Petro-Lithium Project Area.

Resource Area	Volume of Water in Effective porosity (m^3)	Lithium Grade (mg/L)	Production Factor Cut-off	Production Volume (m^3)	Inferred Lithium Resource Estimate (tonnes)	Inferred Lithium Resource Estimate (LCE tonnes)
Central Clearwater Resource Area	9,234,158,174	77.4	1	9,234,158,174	710,000	3,800,000
	9,234,158,174	77.4	0.9	8,310,742,357	640,000	3,400,000
	9,234,158,174	77.4	0.8	7,387,326,539	570,000	3,000,000
	9,234,158,174	77.4	0.7	6,463,,910,722	500,000	2,700,000
	9,234,158,174	77.4	0.6	5,540,494,904	430,000	2,300,000
	9,234,158,174	**77.4**	**0.5**	**4,617,079,087**	**360,000**	**1,900,000**
	9,234,158,174	77.4	0.4	3,693,663,270	290,000	1,500,000
	9,234,158,174	77.4	0.3	2,770,247,452	210,000	1,100,000

Resource Area	Volume of Water in Effective Porosity (m^3)	Lithium Grade (mg/L)	Production Factor Cut-off	Production Volume (m^3)	Inferred Lithium Resource Estimate (tonnes)	Inferred Lithium Resource Estimate (LCE tonnes)
North Rocky Resource Area	6,624,863,216	52.9	1	6,624,863,216	350,000	1,900,000
	6,624,863,216	52.9	0.9	5,962,376,894	320,000	1,700,000
	6,624,863,216	52.9	0.8	5,299,890,572	280,000	1,500,000
	6,624,863,216	52.9	0.7	4,637,404,251	250,000	1,300,000
	6,624,863,216	52.9	0.6	3,974,917,929	210,000	1,100,000
	6,624,863,216	**52.9**	**0.5**	**3,312,431,608**	**180,000**	**930,000**
	6,624,863,216	52.9	0.4	2,649,945,286	140,000	750,000
	6,624,863,216	52.9	0.3	1,987,458,965	110,000	560,000

Resource Area	Volume of Water in Effective Porosity (m^3)	Lithium Grade (mg/L)	Production Factor Cut-off	Production Volume (m^3)	Inferred Lithium Resource Estimate (tonnes)	Inferred Lithium Resource Estimate (LCE tonnes)
Exshaw West Resource Area	19,511,285,152	75	1	19,511,285,152	1,462,014	7,782,300
	19,511,285,152	75	0.9	17,560,156,637	1,315,813	7,004,072
	19,511,285,152	75	0.8	15,609,028,122	1,169,611	6,225,839
	19,511,285,152	75	0.7	13,657,899,606	1,023,410	5,447,611
	19,511,285,152	75	0.6	11,706,771,091	877,208	4,669,378
	19,511,285,152	75	**0.5**	**9,755,642,576**	**731,007**	**3,891,150**
	19,511,285,152	75	0.4	7,804,514,061	584,806	3,112,922
	19,511,285,152	75	0.3	5,853,385,546	438,604	2,334,689

Please also see the Company's press release dated May 3, 2018 for further information on Inferred Mineral Resource Estimate for the Exshaw West Resource Area.

The Company's NI 43-101 technical report for the Exshaw West project area is filed on the Company's SEDAR profile (www.sedar.com) as well as on the Company's website (www.e3metalscorp.com).

Development of Lithium Extraction Technology

With a large potential source of lithium secured, management's focus has shifted to demonstrating the technological viability of the project. E3 Metals' process of delivering high grade lithium hydroxide or carbonate to the market is being developed as three major steps. The first step involves pumping the brine to surface using new or existing infrastructure, or a combination of both. This process is well understood in Alberta through oil and gas production which has demonstrated that large volumes of brine can be cycled to surface and back into the reservoir. The use of existing infrastructure has the potential to reduce the Company's development costs. The second step uses E3 Metals' proprietary technology employing ion-exchange to extract lithium. The process both concentrates the brine and removes the majority of the impurities in one step (see E3 Metals news releases on May 29, 2018, December 4, 2018, March 4, 2019). This technology development is the key link between the existing brine production and readily available technology potentially utilized for the third step of lithium production. The third step is the production of a lithium salt and involves refining the concentrate feedstock to further remove the last of the impurities and produce a high-grade lithium product for direct sale into the battery market. The Company believes the key to the defining a feasible project in the future is the continued development of its' proprietary concentration technology, which has demonstrated it will efficiently concentrate lithium and remove brine impurities. All other process steps may consist of existing technology modified slightly for the specifics of the Alberta Lithium Project.

The E3 Metals' lithium concentration technology is in the advanced stages of development through the Company's partnership with University of Alberta ("the University"), GreenCenter Canada ("GC") and the National Research Council ("NRC").

In August 2018, the Company was awarded two non-refundable government grants to assist in the development of the concentration technology. The Industrial Research Assistance Program ("IRAP"), a federal funding agency, has awarded $56,000 to assist in the development work at NRC. Alberta Innovates ("AI"), an Alberta funding agency, has awarded $100,000 to assist in the development work at GC. Both grants are supporting the continued development and scaling of the Company's concentration technology.

The research of the concentration technology is being guided by Dr. Daniel Alessi, Assistant Professor at the University of Alberta. In April 2018, the Company received a grant of $100,000 from the National Science & Engineering Research Council ("NSERC") under the collaborative research and development grant program. The funding will continue to support the advancement of the Company's lithium concentration technology into 2019.

The Company is supporting the NSERC grant with a matching contribution of $50,000, payable to the University of Alberta in accordance with the following schedule:

- $12,500 was paid in Q2 2018;
- $12,500 on July 1, 2018;
- $12,500 on October 1, 2018; and
- $12,500 on January 1, 2019.

As a result of the grant, the Alessi lab will also receive an in-kind contribution of up to an additional $102,500.

The University has developed a chemical process that has a high selectivity for lithium with the goal of achieving greater than 20 times concentration factor at greater than 90-per-cent Li recovery while attracting less than 1-per-cent impurities. This low-energy concentration will require no evaporation and provides a concentrate that the Company believes can be purified by most off-the-shelf lithium production technology available on the market.

The planned commercial lithium extraction process from E3 Metals' petro-lithium deposit would occur in two stages:

A. Brine production: well network to deliver Petro-lithium brine to surface for lithium extraction. Re-injection of lithium void brine back into the reservoir
B. Lithium Extraction: reducing water volumes while increasing the resulting grade of lithium and removing the majority of sodium (Na) magnesium (Mg) and calcium (Ca) to produce a concentrate feedstock;

C. Lithium Production: Polishing and lithium salt production: purifying the concentrate feedstock prior to creation of high-purity lithium hydroxide (LiOH) and/or lithium carbonate (Li_2CO_3).

The Company's near-term focus is to scale-up its promising chemical concentration technology in partnership with some of Canada's leading (public and private) research facilities. Additionally, the Company has arranged for testing of its brine using advanced lithium concentration methods under development by other leading third-party technology providers.

In 2019, the Company is planning to develop scaled-up concentration testing equipment that could be coupled with proven commercially available polishing and production technology. The Company would then construct a bench-scale prototype capable of producing quantities of its concentrate. It will then utilize existing test facilities to create quantities of high-purity LiOH and/or Li2CO3 from E3 Metals' brines. This will allow for the initial detailed full-cycle process flow sheet to be defined. Once the process has proven successful, a pilot plant focusing on creating larger volumes of concentrate will be constructed and deployed into the field for testing. Potential low-cost field testing will be facilitated by available brine production at surface from E3 Metals' partnerships with multiple oil and gas operators. Field testing of this prototype equipment is expected to commence in the second half of 2019. The large volumes of concentrate will be shipped in batches to facilities to create larger quantities of LiOH and/or Li_2CO_3. The results from this testing should allow the company to begin Front End Engineering and Design (FEED) towards a Pre-Feasibility Study (PFS).

Property and Permits

The Alberta Lithium Project is comprised of 76 MIM Permits, which includes the rights for lithium, totaling 593,165 hectares (5,931 square kilometers) that can be further sub-divided into five separate sub-properties, or groups of contiguous permits:

- Clearwater Sub-Property: 19 contiguous permits totaling 149,433 hectares;
- Exshaw Sub-Property: 18 contiguous permits totaling 137,570 hectares;
- Rocky Sub-Property: 29 contiguous permits totaling 234,973 hectares;
- Sunbreaker Sub-Property: 2 contiguous permits totaling15,678 hectares; and
- Drumheller Sub-Property: 8 contiguous permits totaling 55,511 hectares.

Pursuant to the Share Exchange Transaction, the Company acquired a 100% interest in the Clearwater and Exshaw Petro-Lithium projects (“Alberta Petro-Lithium Project”) covering the Leduc reservoir in south-central Alberta and comprised of 10 Alberta Metallic and Industrial Mineral Permits (“MIM Permits”) totaling 87,965 hectares (879.65 square kilometers). The Company also acquired 64 additional MIM Permits during the year ended December 31, 2017, and 2 additional MIM Permits during the nine months ending September 30, 2018.

Clearwater

On July 10, 2017, the Company signed a Royalty Agreement pursuant to which it has agreed to pay to the royalty owner a perpetual production royalty equal to 2.25% (the “Royalty”) of the gross proceeds from all products that are mined or extracted from seven specific Clearwater MIM permits.

The Company has the option, at any time before September 30, 2020, to purchase all or a portion of the royalty at a price of:

- $600,000 for the entire 2.25% of the Royalty, or

- $75,000 for each 0.25% of the Royalty, provided that the maximum amount to purchase the entire 2.25% of the Royalty will be $600,000.

Exshaw

On August 9, 2017, the Company entered into a binding term sheet to acquire three MIM permits located in the Exshaw Project Area from Fathom Minerals Ltd. ("Fathom"), a private mineral exploration company. Pursuant to the terms of the Term Sheet, the Company will acquire (i) a 100% interest in the Permits and (ii) all technical data and reports related to the Permits in Fathom's possession, in consideration of:

- CAD $35,000 (paid in December 31, 2017); and

350,000 common shares of the Company (issued in February 2018).

The following table summarizes the Company's exploration and evaluation asset expenditures to December 31, 2018:

		Alberta Petro-Lithium Project
Acquisition Costs:		
Balance December 31, 2017	$	1,508,524
Common shares issued for acquisition of properties		140,000
Permitting and other acquisition costs		485
Balance December 31, 2018	$	1,649,009
Exploration Costs:		
Balance December 31, 2017	$	394,578
Amortization of software 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
Total, December 31, 2017	$	1,903,102
Total, December 31, 2018	**$**	**2,511,076**

Selected Annual Information

December 31	2018	2017	2016
Net loss	$ (1,379,487)	$ (1,198,103)	$ (74,626)
Loss per share [1]	$ (0.07)	$ (0.11)	$ (0.02)
Total assets	$ 2,911,363	$ 2,597,181	$ 17,832
Total long term liabilities	$ Nil	$ Nil	$ Nil
Cash dividends declared per share for each class of share	$ Nil	$ Nil	$ Nil

(1) Loss per common share amounts were retroactively restated to reflect consolidations of the Company's share capital in 2017 and 2018.

The significant increases in Net Loss and Total Assets resulted from the completion of the Fundamental Acquisition Transaction in 2017.

Analysis of the Company's financial performance and conditions

During the year ended December 31, 2018, the Company reported a net loss of $1,379,487 or $0.07 per share compared to $1,198,103 or $0.11 per share in 2017, an increase in loss of $181,384. The increase in loss was a result of increases in general expenses to $1,457,483 (2017 – $1,377,756), partially offset by an increase in a gain from a reversal of flow through premium liability of $71,029 (2017 - $31,408) recorded during the year as a result of reversal of the flow-through premium liabilities recognized in connection with the August and December 2017 flow-through private placements. The Company also recorded a gain on debt settlement of $7,930 (2017 – $24,925). In 2017, the Company recovered $123,320 in value-added tax in its Mexican subsidiary, which was dissolved in 2018.

The increase in general operating expenses in 2018 was a result of the following:

- Wages and benefits increased to $318,151 (2017 – $184,714) The Company had three fulltime employees in 2018 versus two fulltime employees for the last half of 2017;
- Consulting fees increased by approximately $350,000 as the Company engaged a part-time CFO, technical advisors and investor relations advisors in 2018;
- General and administrative expenses increased to $146,321 (2017 – $114,873) as a result of increases in office rent and other office administrative expenses as the Company expanded in 2018;
- Professional fees increased to $101,062 (2017- $81,626), including accounting and audit fees of approximately $63,000 and legal fees of approximately $38,000 in 2018;
- Stock-based compensation reduced from $525,399 in 2017 to $180,532 in 2018 as a result of 2017 stock options that vested entirely in 2017. The majority of the 2018 stock options vest over periods of between three to eighteen month; and
- The Company capitalized $161,469 in expenses in 2018, the majority of which was wages and benefits for technical staff working on its Alberta Lithium project.

The Company has budgeted $1,194,000 in general operating expenses for 2019.

Summary of Quarterly Results

The following is a summary of certain financial information concerning the Company for each of the last eight reported quarters:

Quarter ended		Net loss	Loss per share
December 31, 2018	$	(289,432)	(0.01)
September 30, 2018		(476,006)	(0.02)
June 30, 2018		(331,985)	(0.02)
March 31, 2018		(282,064)	(0.02)
December 31, 2017		(582,135)	(0.04)
September 30, 2017		(215,678)	(0.02)
June 30, 2017		(375,566)	(0.04)
March 31, 2017		(24,724)	(0.01)

Liquidity and Capital Resources

The Company reported a working capital of $258,553 at December 31, 2018 (2017 - $393,511), representing a decrease in working capital of $134,958.

As at December 31, 2018, the Company had net cash on hand of $347,547 compared to cash on hand of $608,428 at December 31, 2017.

During the year ended December 31, 2018, the Company:

- used $1,294,047 (2017 - $959,448) in operating activities;
- used $465,306 (2017 – $572,286) in investing activities including $455,668 for exploration expenditures, $13,791 for acquisition of geological software licenses, office computer equipment and furniture; offset by $4,153 received in short-term loans; and
- generated $1,498,673 (2017 – $2,139,235) from its financing activities including $1,416,000 raised from the private placements offset by $38,827 in stock issuance costs plus $121,500 raised from the exercise of share purchase warrants.

The details of financing activities incurred during the year ended December 31, 2018 are as follows:

- on August 20, 2018, the Company completed a non-brokered private placement by issuing 3,232,500 units of the Company at a price of $0.40 per unit for gross proceeds of $1,293,000. Each unit comprises 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, 2019. 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 Company issued 335,000 common shares pursuant of 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;

- the Company issued 25,000 common shares pursuant to the exercise of 25,000 share purchase warrants by the officer of the Company at $0.30 per share for gross proceeds of $7,500.
- on December 19, 2018, the Company completed a non-brokered private placement by issuing 307,500 units of the Company at a price of $0.40 per unit for gross proceeds of $123,000. 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 $0.60. All common share purchase warrants expire on June 18, 2020. The Company also issued 10,000 finders warrants on the same terms as the common share purchase warrants to certain brokers in connection with this private placement.

In order for the Company to continue operations through 2019, it will require additional equity funding.

Risks and Uncertainties

The Company has not had a history of operations or earnings and the overall success of the Company will be affected by its current or future business activities.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including liquidity risk and market risks with respect to its ability to raise capital through equity markets under acceptable terms and conditions. Management monitors its activities and various factors that could impact the risks in order to manage risks and make timely decisions.

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 a Canadian Chartered bank. While there is concentration of risk by holding all funds with one institution, management assesses credit risk of cash as low due to the high credit quality rating the institution has with the rating agencies. As at December 31, 2018, the Company had cash of $347,547 (December 31, 2017 - $608,428).

The Company's secondary exposure to credit risk is on its receivable. This risk is minimal as receivables consist of refundable government sales taxes and government grants invoiced of $24,092 (2016 - $37,132).

Currency risk

The Company's current operations are not exposed to significant foreign currency risk.

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, 2018, the effect of a 10% fluctuation in interest rates would not be material.

Liquidity 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, 2018, the Company had a working capital (excluding the flow-through premium liability) of $258,553 (2017 - $464,540). As at December 31, 2018, the Company had a cash balance of $347,547 (2017 - $608,428), which is sufficient to pay its current cash liabilities of $122,501 (2017 - $270,906) and to continue operations in the short term. As stated above, the Company will require additional equity funding to continue operations through 2019.

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.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Transactions with Related Parties

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, 2018 and 2017, the remuneration of the key management personnel was as follows:

Year ended December 31,	2018	2017
Management fees (i)	$ 18,750	$ 3,000
Management salaries and benefits(ii)	301,600	184,714
Consulting fees (iii)	30,150	1,200
Share-based compensation (iv)	33,524	154,812
Total	**$ 384,024**	**$ 343,726**

(i) 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, 2018, the Company paid $Nil (2017 - $3,000) for management fees and $18,750 (2017 - $6,000) for administrative fees to VCC.

(ii) On May 30, 2017, the Company entered into employment agreements with the CEO and the VP of Project Development of the Company that ratify annual compensation of $145,000 plus benefits for each individual. During the year ended December 31, 2018, the Company paid gross management salaries of $331,750 (2017 - $184,714) pursuant to these agreements.

(iii) On May 10, 2018, the Company entered into an agreement with The CFO Centre Limited to provide part-time CFO services on a contract basis. For the year ended December 31, 2018, the Company paid $30,150 (2017 - $Nil) in consulting fees.

During the year ended December 31, 2018, the Company paid consulting fees of $nil (2017- $1,200) to a company with a director in common. At December 31, 2018, $nil (2017 - $1,260) was due to this company. The amount was paid subsequent to December 31, 2017.

(iv) The Company recognised $33,524 of share-based compensation in 2018 (2017 – $154,814) on the vested portion of stock options granted to directors and officers.

(v) At December 31, 2018, a total of $22,465 (December 31, 2017 - $9,633) was due to officers of the Company or their related affiliates for reimbursement of travel, project-related expenses and consulting fees. The amounts were paid subsequent to December 31, 2018.

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. These warrants were issued under the terms of the Acquisition (Note 3 and 9(iii)).

Subsequent Events

Subsequent to December 31, 2018, the Company completed a private placement on April 4, 2019 by issuing 3,971,983 units at a price of $0.35 per unit for total proceeds of approximately $1,390,194 before commissions and expenses. Each unit is comprised of one common share and one-half common share purchase warrant. The common share purchase warrant is exercisable for a period of one year at a price of $0.45. The Company paid an aggregate $43,542 in cash commissions and issued an aggregate 124,404 finders' warrants on the same terms as the private placement warrants.

Proposed Transactions

The Company does not have any proposed transactions, but is in discussions with a number of strategic partners regarding the commercialization of its Lithium extraction technology.

Critical Accounting Estimates

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Changes in Accounting Policies including Initial Adoption

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective. The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its consolidated financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

- *IFRS 16 – Leases*

  IFRS 16, the new standard contains a single lessee accounting model, which eliminates the distinction between operating and financing leases from the perspective of the lessee. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 for public entities with early adoption permitted.

Going concern

As at December 31, 2018, the Company has not generated any revenues from operations and has an accumulated deficit of $17,546,133 (December 31, 2017 - $16,166,646).

The Company expects to incur further losses in the development of its Lithium technology and establishing it is economically commercial through the construction of a pilot plant, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company will continue to have capital requirements in excess of its currently available resources. The Company will require financing in the 2019 to continue in operations and to construct a pilot plant and there can be no assurance that such financing will be available or, if available, that it will be on reasonable terms.

These uncertainties cast significant doubt about the Company's ability to continue as a going concern.

Financial Instruments

The Company's financial instruments include cash, receivables, trade payables and accrued liabilities, short-term loan, and due to related parties. Trade payables and accrued liabilities and due to related parties are classified as other financial liabilities. The carrying value of these financial instruments approximates their fair value due to their short-term maturity.

Other Requirements

Summary of outstanding shares, warrants and stock options as at April 1, 2019:

Authorized - Unlimited common shares without par value

Issued and outstanding common shares: 21,002,002

Share purchase warrants outstanding: 4,273,150

Stock options outstanding: 1,855,000

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors, thank you for your continued support.

Signed "Chris Doornbos"

Chris Doornbos
President & CEO