E3 METALS CORP

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

Expressed in Canadian Dollars

E3 METALS CORP

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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, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, 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 as at December 31, 2020. 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.

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.

Calgary, Alberta

MNP LLP

April 20, 2021

Chartered Professional Accountants

MNP LLP

E3 METALS CORP

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at

	Notes	**December 31, 2020**	December 31, 2019
Assets			
Current assets:			
Cash		**$ 6,467,377**	$ 277,464
Restricted cash	9	**250,545**	945,108
Receivables	3	**52,929**	42,053
Prepaids	4	**86,490**	232,625
		6,857,341	1,497,250
Property and equipment	5	**4,797**	12,341
Right-of-use asset	6	**15,333**	11,433
Exploration and evaluation assets	7	**2,876,588**	2,721,478
Intangible assets	8	**886,687**	236,945
Total Assets		**$ 10,640,746**	$ 4,479,447
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade payables and accrued liabilities		**$ 309,964**	$ 427,891
Due to related parties	13	**65,913**	15,158
Lease liability	10	**18,306**	12,644
		394,183	455,693
Long-term liabilities			
Long-term notes payable	11	**150,000**	-
Total Liabilities		**544,183**	455,693
Shareholders' equity:			
Share capital	12	**28,052,180**	20,264,608
Contributed surplus	12	**3,140,573**	2,760,249
Contributed capital	9	**997,275**	997,275
Foreign currency reserve		**(75,128)**	(75,128)
Deficit		**(22,018,337)**	(19,923,250)
		10,096,563	4,023,754
Total Liabilities and Shareholders' Equity		**$ 10,640,746**	$ 4,479,447

Nature and continuance of operations (Note 1)

Commitments (Note 16)

Subsequent events (Note 17)

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

E3 METALS CORP

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
As at

	Notes	Number of Shares	Amount	Contributed Capital	Contributed Surplus	Foreign Currency Reserve	Deficit	Total Equity
Balance, January 1, 2020		**27,397,901**	**20,264,608**	**$ 997,275**	**$ 2,760,249**	**$ (75,128)**	**$ (19,923,250)**	**$ 4,023,754**
Private placement of units	12	12,341,250	7,638,250	-	-	-	-	7,638,250
Share issued to settle payables	12	18,750	7,500	-	-	-	-	7,500
Value attributed to warrants issued with private placement of units	12	-	(225,337)	-	225,337	-	-	-
Finder's warrants issued with private placement of units	12	-	(9,800)	-	9,800	-	-	-
Exercise of stock options & warrants	12	1,906,230	879,322	-	-	-	-	879,322
Reclassify contributed surplus on exercise of stock options/warrants	12	-	229,375	-	(229,375)	-	-	-
Share issue costs		-	(731,738)	-	-	-	-	(731,738)
Share-based compensation	12	-	-	-	374,562	-	-	374,562
Net loss for the period		-	-	-	-	-	(2,095,087)	(2,095,087)
Balance, December 31, 2020		**41,664,131**	**$ 28,052,180**	**$ 997,275**	**$ 3,140,573**	**$ (75,128)**	**$ (22,018,337)**	**$ 10,096,563**
Balance, January 1, 2019		21,002,002	$ 18,101,271	$ -	$ 2,309,094	$ (75,370)	$ (17,546,133)	$ 2,788,862
Shares issued, net of issue costs	12	6,239,884	2,253,812	-	-	-	-	2,253,812
Contributed capital	9	-	-	997,275	-	-	-	997,275
Finders warrants issued	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
Foreign currency translation		-	-	-	-	242	-	242
Effect of change in accounting policy	6, 10	-	-	-	-	-	(5,339)	(5,339)
Net loss for the period		-	-	-	-	-	(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, 2020 and 2019
(Expressed in Canadian Dollars)

E3 Metals Corp.
For the years ended December 31, 2020 and 2019

	Notes	2020	2019
Expenses:			
Business development and marketing		**$ 786,487**	$ 296,758
Share-based compensation	12	**374,562**	283,792
Consulting fees		**364,847**	598,951
Wages and benefits		**357,154**	480,804
General and administrative		**140,790**	162,809
Professional fees		**120,752**	356,713
Amortization	5, 6	**49,407**	33,631
Regulatory and transfer agent fees		**42,214**	70,101
Travel expenses		**13,715**	62,779
Interest on lease liability	10	**1,528**	5,928
Realized loss (gain) on foreign exchange		**(15,548)**	24,745
Wages and benefits subsidy		**(111,700)**	-
		(2,124,208)	(2,377,011)
SR&ED tax credit		**(28,574)**	-
Gain on lease modification	10	**-**	(4,917)
Interest income		**(547)**	(316)
Net Loss for year		**(2,095,087)**	(2,371,778)
Other Comprehensive Income			
Foreign exchange gain on translation of foreign operations		**-**	242
Comprehensive Loss for year		**$ (2,095,087)**	$ (2,371,536)
Loss per common share - Basic and diluted		**$ (0.07)**	$ (0.10)
Weighted average number of common shares outstanding – Basic and diluted		**31,028,181**	24,112,083

The accompanying notes form a part of these consolidated financial statements.

E3 METALS CORP

Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Notes	**2020**	2019
Cash provided by (used in):			
Operating:			
Net loss for the year		**$ (2,095,087)**	$ (2,371,778)
Items not affecting cash			
Share-based compensation	12	**374,562**	320,679
Amortization	5, 6	**49,407**	33,631
Non-cash interest expense on lease liability	10	**1,528**	5,928
Gain on lease modification	10	**-**	(4,917)
Change in non-cash working capital:			
Receivables		**(10,876)**	(17,961)
Prepaids	4	**146,135**	(223,210)
Trade payables and accrued liabilities		**(110,427)**	332,008
Due to related parties		**50,755**	(7,307)
Net cash used in operating activities		**(1,594,003)**	(1,932,927)
Investing:			
Intangible assets	8	**(649,742)**	(236,945)
Exploration and evaluation assets	7	**(155,110)**	(210,402)
Property and equipment	5	**(2,829)**	(1,128)
Net cash used in investing activities		**(807,681)**	(448,475)
Financing:			
Proceeds from private placements (net)	12	**6,906,512**	2,253,812
Contributed capital	8	**-**	997,275
Lease liability	10	**(38,800)**	(30,750)
Exercise of stock options	12	**879,322**	40,000
Long term notes	11	**150,000**	-
Short term loans		**-**	(4,153)
Net cash from financing activities		**7,897,034**	3,256,185
Effect of foreign exchange		**-**	242
Change of cash during the year		**5,495,350**	875,025
Cash, beginning of the year		**1,222,572**	347,547
Cash, end of the year		**$ 6,717,922**	$ 1,222,572
Unrestricted cash		**6,467,377**	$ 277,464
Restricted cash - security for credit facility		**28,750**	28,750
Restricted cash - Joint operations	9	**221,795**	916,358
Cash, end of the year		**$ 6,717,922**	$ 1,222,572

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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 2300, 150 9th Ave SW, Calgary, AB, T2P 3H9. The registered and records office is Suite 400, 725 Granville Street, Vancouver, BC, V7Y 1G5.

E3 Metals is a resource company with mineral properties in Alberta that is currently focused on technology development for lithium extraction from Alberta brines contained in its mineral properties.

These consolidated financial statements (the "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 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, 2020, the Company has not generated revenues from operations and has an accumulated deficit of $22,018,337 (2019 – $19,923,250) including a net loss of $2,095,087 (2019 – $2,371,778) incurred during the year ended December 31, 2020. 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's ability to continue as a going concern is dependent upon its ability to raise equity financing to further develop their proprietary technology and commence construction of a pilot project. Subsequent to December 31, 2020, the Company issued 6,793,000 units for gross proceeds of $8,050,060 (Note 17).

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 temporarily ceased all non-essential travel and implemented a work from home program for all staff. As of the date hereof, staff are working under a combined work from home/work in the office schedule and are utilizing the appropriate social distancing and other recommended or required safety protocols. Measures such as these have caused material disruption to businesses globally resulting in economic uncertainty. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks. COVID-19 has had an impact into the timing and cost to develop the Company's pilot project due to the inability to work together in an office and the extra protocols and procedures required for all lab / technology research.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on April 20, 2021 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") as at January 1, 2020.

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 subsidiaries 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 financial statements include the financial statements of the Company and its controlled subsidiaries and an entity that is jointly controlled by the Company. Subsidiaries are all corporations 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. Subsidiaries are 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, 2020	December 31, 2019
1975293 Alberta Ltd.	Canada	CAD	100%	100%
Mexigold Resources SA de CV ("MAU Mexico") (1)	Mexico	MEX	100%	100%
2216747 Alberta Ltd.(2)	Canada	CAD	50%	50%

(1) E3 Metals owns 99% and 0904254 BC owned 1% of MAU Mexico. MAU Mexico is inactive and has no assets.
(2) 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 subsidiaries 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 judgments

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and judgments concerning the future. The Company's management reviews these estimates and judgments 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.

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

***Significant estimates and judgments** (cont'd)*

Going concern

Management has applied judgment in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the years ended December 31, 2020 and 2019. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considers a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of financing.

Amortization of Exploration and Evaluation assets and internally developed intangible assets

The Company applies judgement with respect to its determination that none of its exploration and evaluation assets or internally developed intangible assets have reached a feasible stage of operations to warrant capitalization as developed and producing assets.

Impairment of Exploration and Evaluation Assets

The Company's exploration and evaluation assets are evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amounts is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amounts. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, commodity prices, future plans for the Company's mineral properties and mineral resources and/or reserve estimates.

Establishing cash-generating units ("CGU")

For the purpose of assessing impairment of its long-term assets, the Company determines the CGU, defined as being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The determination of the CGU and the classification of the Company's assets to the determined CGU require significant judgment having a potentially significant incidence on the result of the subsequent impairment analysis. The Company periodically reviews the determination of the CGU and the corresponding grouping of the Company's assets, including its assets classified as common assets. Management has determined that the Company has one CGU.

Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

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

Significant estimates and judgments *(cont'd)*

Joint Arrangement
The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over other companies. Management has used its judgment to determine when control exists and consolidation is required or when the Company has joint control and proportional consolidation is required. Determination of the date that the Company's interest in the subsidiary changed from joint control to control also requires significant judgment.

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.

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 non-monetary 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

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

Foreign Currency Translation (Cont'd)

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 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 is 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.

Impairment

The Company makes use of a simplified approach in recognizing as the lifetime expected credit losses for financial assets measured at amortized cost. 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 financial assets measured at amortized cost on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

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

Financial Instruments (Cont'd)

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. 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.

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")

E&E assets consist of mineral permit acquisition costs and exploration costs directly related to specific properties and 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.

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

Exploration and Evaluation Assets (cont'd)

The Company currently has one CGU – its Alberta Lithium Project (2019 – 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.

Income Taxes

Tax expense is comprised of current and deferred tax. Taxes are 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 and not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting and 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 statement of financial position 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

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

Loss per Share (Cont'd)

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.

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.

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 Non-Financial Assets

The Company assesses at each reporting date whether there are indications of impairment of the long-lived 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified. 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 CGU's are allocated first to reduce the carrying amount of any goodwill allocated to CGU's and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

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

Impairment of Non-Financial Assets (Cont'd)

Intangible assets with indefinite useful lives, goodwill and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 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

The Company accounts for its share of the assets, liabilities and expenditures of a jointly controlled entity using the proportionate consolidation method.

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

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.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right of use asset is measured at cost, where cost comprises (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A lease liability is initially measured at the present value of the unpaid lease payments, discounted using the lessee's incremental borrowing rate applied to the lease liabilities. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

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.

(Expressed in Canadian Dollars)

4. PREPAID EXPENSES

Prepaid expenses consist of various payments that will be amortized over the monthly periods which they relate to:

	December 31, 2020	December 31, 2019
Deposits on office leases	$ 18,552	$ 2,564
Insurance	13,520	12,401
Marketing and business development	23,986	216,310
Other	30,432	1,350
	$ 89,490	$ 232,625

5. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture	Software Licenses	Leasehold Improvements	Total
Cost:					
At December 31, 2019	20,680	2,760	27,428	14,768	65,636
Additions	2,829	-	-	-	2,829
Disposal	-	-	-	(12,460)	(12,460)
At December 31, 2020	**23,509**	**2,760**	**27,428**	**2,308**	**56,005**
Amortization:					
At December 31, 2019	17,405	1,170	27,428	7,292	53,295
Amortization	2,579	318	-	7,476	10,373
Disposal	-	-	-	(12,460)	(12,460)
At December 31, 2020	**19,984**	**1,488**	**27,428**	**2,308**	**51,209**
Net book value:					
At December 31, 2019	3,275	1,590	-	7,476	**12,341**
At December 31, 2020	**3,525**	**1,272**	**-**	**-**	**4,797**

6. RIGHT-OF-USE ASSETS

	December 31, 2020	December 31, 2019
Balance, beginning of period	$ 11,433	$ 86,934
Additions	42,934	-
Current period amortization	(39,034)	(2,287)
Reduction of right-of-use asset as a result of lease modification	-	(49,890)
	$ 15,333	$ 11,433

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

The Company's mineral properties are currently comprised of 80 Mine and Mineral ("MIM") Permits, which includes the rights for lithium, totaling 570,358 hectares (5,703 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 136,981 hectares;
- Exshaw Sub-Property: 18 contiguous permits totaling 142,285 hectares;
- Rocky Sub-Property: 24 contiguous permits totaling 174,371 hectares;
- Sunbreaker Sub-Property: 2 contiguous permits totaling 15,678 hectares;
- Drumheller Sub-Property: 8 contiguous permits totaling 55,511 hectares; and
- Meadowbrook-Rimbey: 7 contiguous permits totaling 45,532 hectares

The following table summarizes the Company's E&E asset expenditures in its Alberta Petro-Lithium Project as at December 31, 2020:

Acquisition Costs:		
Balance December 31, 2018	$	1,649,009
Permit applications		3,750
Balance December 31, 2019		1,652,759
Permit applications		20,000
Balance, December 31, 2020	**$**	**1,672,759**
Exploration Costs:		
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
Engineering Consultants		36,250
Geological consultants		3,233
Amortization of licenses		21,871
Capitalized expenses		73,756
Balance, December 31, 2020	**$**	**1,203,829**
Total, December 31, 2019	$	2,721,478
Total, December 31, 2020	**$**	**2,876,588**

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS

In 2020, E3 spent $649,742 on the continuing development of the Intellectual Property; the Company included its 50% share (2019 – 50%) of the amount spent by Devco - $649,742 (2019 - $88,537). For further details reference note 9.

	December 31, 2020	December 31, 2019
Opening balance	**$ 236,945**	$ -
Consultants	**-**	286,530
Water analysis	**-**	20,084
Other expenditures	**-**	7,115
E3's share of IP development expenditures incurred by Devco	**649,742**	88,537
	886,687	402,266
Grants received	**-**	(165,321)
Balance, end of year	**$ 886,687**	$ 236,945

9. 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 construct 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, 2020, the Company share of cash restricted to jointly approved Devco expenditures was $221,795. 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.

Subsequent to year-end Livent withdrew from the joint operation (Note 17).

The following summarizes the amounts included in the Company's financial statements at December 31, 2020 as a result of the joint operation with Devco:

(Expressed in Canadian Dollars)

9. JOINT OPERATION (Cont'd)

	2020		2019	
	E3 Metals – 50%	Devco – 100%	E3 Metals – 50%	Devco – 100%
Cash	**$221,795**	$443,590	$ 916,358	1,832,717
GST receivable	**29,422**	58,844	2,255	4,509
Intangible assets	**738,279**	1,476,558	88,537	177,073
Accounts payable and accrued liabilities	-	-	40,274	80,548
Contributed capital	**997,275**	1,994,551	997,275	1,994,551
Current year deficit	**(7,845)**	(15,691)	(30,466)	(60,932)

10. LEASE LIABILITIES

	2020	2019
Liability:		
Balance, January 1	**$ 12,644**	$ 92,273
Addition	**42,934**	-
Interest	**1,528**	5,928
Lease payments	**(38,800)**	(30,750)
Reduction of lease liability as a result of lease modification	**-**	(54,807)
Balance, December 31	**$ 18,306**	$ 12,644

The terms of the Company's previous 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. This meets the conditions of a lease modification, which has been calculated effective December 1, 2019.

The Company entered into a new 14 month lease effective April 1, 2020 with WeWork - The Edison. The lease consists of 12 monthly net payments of $3,710 (first two months free). The lease liability has been present valued using a discount rate of 8%.

11. LONG-TERM NOTES PAYABLE

On September 23, 2020, the Company entered into an agreement with the Government of Canada as represented by the Minister responsible for Western Economic Diversification Canada. The Company received a total of $150,000 to assist with general corporate costs.

The Company shall repay the note in 35 equal payments of $4,165 commencing January 31, 2023, and ending December 31, 2025 with a final installment of $4,225. The Company has the right to prepay the note at any time without penalty and is not subject to any covenants. The interest rate on the note is prime plus 3% and interest accrues during the period beginning on the due date and ending on the day before the day on which payment is received by the Minister. Subsequent to the year end, the long-term note payable was repaid in full (Note 17).

(Expressed in Canadian Dollars)

12. SHARE CAPITAL

Authorized share capital

Unlimited common shares with no par value.

Issued and outstanding

	Number of Shares	
	2020	**2019**
Balance at January 1	27,397,901	21,002,002
Issuance of shares on exercise of stock options	1,906,230	100,000
Issuance of shares by private placement	12,341,250	6,239,884
Issuance of shares to settle payables	18,750	56,015
Balance at December 31	**41,664,131**	**27,397,901**

Share capital transactions during the year ended December 31, 2020 were as follows:

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 total gross proceeds of $1,201,800. Each unit was 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 $21,000 cash and 45,000 broker warrants were issued in connection with the second tranche closing. Broker warrants issued carry the same terms as the unit warrants. Of the proceeds received $225,337 was allocated to contributed surplus for the warrants granted. The value attributed to the warrants was based on the difference between closing share price of the Company on date the units were issued and the unit price.

On July 15, 2020, the Company entered into a binding agreement with a creditor in respect of the settlement $7,500 in trade payables (the “Debt Settlement”). The Debt Settlement consisted of the issuance of 18,750 common shares (the “Common Shares”) at a deemed price of $0.40 per Common Share. Pursuant to applicable Canadian securities laws, the Common Shares will carry a four month hold period from their date of issue.

Throughout 2020, the Company issued 1,906,230 common shares pursuant to the exercise of 1,906,230 stock options and warrants at a price of $0.40-$0.60 per share. Total proceeds received were $879,322.

12. SHARE CAPITAL (Cont'd)

In October 2020, the Company closed a non-brokered private placement financing by issuing 3,336,750 shares at a price of $0.40 per share for total gross proceeds of $1,334,700. Commissions comprised of $56,074 cash.

In December 2020, the Company closed a brokered private placement financing by issuing 6,000,000 units at a price of $0.85 per unit for total gross proceeds of $5,100,000. Each unit was 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 $1.40 for a period of 24 months following the date of issuance. Commissions comprised of $302,180 cash and 117,647 common shares (valued at $100,000) were issued in connection with the closing. Finders Fees paid of $72,760 were attributable to this private placement.

The regulatory fees and legal fees attributable to the 2020 shares issuances totaled $179,725.

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 a 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%.

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (Cont'd)

(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.

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. On May 30, 2020, the final tranche of 900,000 shares were released from escrow.

Share Purchase Warrants

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

	December 31, 2020		December 31, 2019	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Warrants, beginning of year	**4,238,781**	**$ 0.50**	4,273,150	$ 0.55
Issued in connection with the private placement	**1,502,250**	**0.60**	1,985,992	0.45
Issued in connection with the private placement	**3,000,000**	**1.40**	1,133,950	0.60
Finders' warrants	**45,000**	**0.60**	124,404	0.45
Finders' warrants	**-**	**-**	101,935	1.17
Exercised	**(1,126,230)**	**0.49**	-	-
Expired	**(575,000)**	**0.30**	(3,232,500)	0.70
Expired	**(307,500)**	**0.60**	(67,750)	0.60
Expired	**(10,000)**	**0.60**	(80,400)	1.00
Warrants, end of year	**6,767,301**	**$ 0.93**	4,238,781	$ 0.50

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (Cont'd)

The share purchase warrants outstanding and exercisable as at December 31, 2020:

Grant date	Number of warrants outstanding	Exercise price		Expiry date	Weighted average life of warrants (years)	Number of warrants exercisable
April 4, 2019	1,263,849	$	0.45	Apr 4, 2021	0.26	1,263,849
April 4, 2019	93,442	$	0.45	Apr 4, 2021	0.26	93,442
September 17, 2019	101,935	$	1.17	Sep 17, 2021	0.71	101,935
December 19, 2019	775,575	$	0.60	Dec 19, 2022	1.97	775,575
March 2, 2020	1,487,500	$	0.60	Sep 2, 2022	1.67	1,487,500
March 2, 2020	45,000	$	0.60	Sep 2, 2022	1.67	45,000
December 17, 2020	3,000,000	$	1.40	Dec 17, 2022	1.96	3,000,000
	6,767,301	**$**	**0.93**		**1.54**	**6,767,301**

Stock options

The Company has adopted a shareholder-approved 10% rolling stock option plan (the "Plan") pursuant to which options are granted 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:

The share options outstanding as at December 31, 2020:

	December 31, 2020		December 31, 2019	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of year	**1,915,000**	**$ 0.42**	**1,885,000**	**$ 0.64**
Granted	**1,903,000**	**$ 0.52**	**1,125,000**	**$ 0.43**
Exercised	**(780,000)**	**$ 0.41**	**(100,000)**	**$ 0.40**
Expired	**(100,000)**	**$ 0.40**	**(995,000)**	**$ 0.64**
Options outstanding, end of year	**2,938,000**	**$ 0.48**	**1,915,000**	**$ 0.42**

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (Cont'd)

The weighted average life of options outstanding is 1.47 years (2019 – 1.85).

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,	2020	2019
Risk-free interest rate	0.30% - 1.60%	1.47% - 1.93%
Expected stock price volatility	77% - 88%	64% - 75%
Expected life	2 – 3 years	2 – 5 years
Expected dividend yield	-	-
Fair value per option granted	$0.08 - $0.38	$0.16 - $0.24
Forfeiture rate	0%	0%

During the year ended December 31, 2020, the Company recorded $374,562 (2019 - $283,792) in share-based compensation expense for the options granted and vested during the period.

The share options outstanding and exercisable as at December 31, 2020:

Grant date	Number of Options outstanding	Exercise price	Expiry date
August 21, 2018	320,000	$ 0.40	August 21, 2021
December 27, 2018	150,000	$ 0.40	December 27, 2021
May 31, 2019	325,000	$ 0.43	May 31, 2022
July 10, 2019	200,000	$ 0.43	July 10, 2021
November 11, 2019	100,000	$ 0.40	November 11, 2022
April 22, 2020	220,000	$ 0.40	April 22, 2022
April 22, 2020	118,000	$ 0.40	October 21, 2022
April 22, 2020	650,000	$ 0.40	April 22, 2023
August 15, 2020	25,000	$ 0.40	August 15, 2022
August 24, 2020	30,000	$ 0.40	August 24, 2022
August 24, 2020	150,000	$ 0.54	August 24, 2022
November 9, 2020	650,000	$ 0.70	November 9, 2023
Outstanding, End of Year	**2,938,000**	$ 0.48	
Exercisable, End of Year	**2,448,000**	$ 0.50	

(Expressed in Canadian Dollars)

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 years ended December 31, 2020 and 2019, the remuneration of the key management personnel were as follows:

Year ended December 31,		**2020**		2019
Management salaries and benefits (i)	**$**	**262,764**	$	233,933
Consulting fees (ii)		**116,955**		63,000
Share-based compensation		**285,415**		44,395
Total	**$**	**665,134**	$	341,328

(i) 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. Due to COVID-19 in 2020, there was a temporary reduction in salary and benefits. During the year ended December 31, 2020, the Company paid gross management salaries of $262,764 (2019 - $233,933) pursuant to these agreements.

(ii) On May 10, 2019, the Company entered into an agreement with The CFO Centre Limited to provide part-time CFO services and other consulting services on a contract basis. For the period ended December 31, 2020, the Company paid $116,955 (2019 - $63,000) in fees to the CFO Centre. In addition, a member of The CFO Centre management team was granted 60,000 stock options during the second quarter of 2020 at a price of $0.40 and expire on October 21, 2022.

14. FINANCIAL RISK AND CAPITAL MANAGEMENT

As at December 31, 2020, the Company's financial instruments include cash, restricted cash, receivables, trade payables and accrued liabilities, long-term notes payable and due to related parties. Cash, restricted cash and receivables are classified as financial assets at amortized cost. Trade payables and accrued liabilities, long-term notes payable and due to related parties are classified as amortized cost. The carrying value of these financial instruments approximates their fair value due to their short-term 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 one institution, management assesses credit risk of cash as low due to the high credit quality rating the

14. FINANCIAL RISK AND CAPITAL MANAGEMENT (Cont'd)

Credit risk (Cont'd)

institution has with the rating agencies. As at December 31, 2020, the Company had cash of $6,467,377 (December 31, 2019 - $277,464).

The Company's secondary exposure to credit risk is on its receivable. This risk is minimal as receivables consist primarily of refundable input tax credits. Gross amounts receivable of $52,929 (December 31, 2019 - $42,053).

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 and long-term notes payables, which earns/bears interest at a variable rate. Based on the cash/loan balance at December 31, 2020, 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, 2020, the Company had a working capital of $6,463,158 (December 31, 2019 - $1,041,557). At December 31, 2020, the Company had a cash balance of $6,476,377, which is sufficient to pay its current liabilities of $394,183, and 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 option reserve, net of accumulated deficit. In order to maintain or adjust the capital structure,

(Expressed in Canadian Dollars)

14. FINANCIAL RISK AND CAPITAL MANAGEMENT (Cont'd)

Capital Management (Cont'd)

the Company may issue new shares through private placements. The Company holds all surplus capital in cash accounts 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 three months ended December 31, 2020. The Company is not subject to any externally imposed capital requirements.

15. INCOME TAX EXPENSE DEFERRED TAX ASSETS AND LIABILITIES

December 31	2020	2019
Loss for the year before income taxes	$ (2,095,087)	$ (2,346,791)
Combined statutory tax rates	24.0%	26.5%
Computed tax recovery	(502,821)	(621,900)
Increase resulting from:		
Share-based compensation	89,894	75,205
Non-deductible expenses and Other	(387,228)	389,100
Deferred tax assets not recognized	800,155	157,595
Income tax expense (recovery)	$ -	$ -

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

December 31	2020	2019
Exploration and evaluation assets	$ 511,402	$ 511,402
Share issuance costs	517,473	111,433
Investment tax credits	939,893	880,752
SRE&D	379,671	-
Other	2,973	1,211
Non-capital loss carry-forwards	9,319,543	8,845,292
	$ 11,670,955	$ 10,350,090

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

December 31	2020	2019
Exploration and evaluation assets	$ (281,262)	$ (198,167)
Non-capital loss carry-forwards	281,262	198,167
	$ -	$ -

(Expressed in Canadian Dollars)

15. 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
2021	$ -	$ 1,045,065	$ 200,745
2022	-	750,730	276,113
2023	-	318,182	46,200
2024	-	33,345	117,272
2025	-	16,373	240,422
2026	-	-	59,141
2027	-	-	-
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	118,210	-	-
2037	956,301	-	-
2038	1,317,972	-	-
2039	1,844,445	-	-
2040	1,897,726		
	$ 8,378,726	$ 2,163,695	$ 939,893

16. COMMITMENTS

Pursuant to the terms of the Metallic and Industrial Mineral ("MIM") Permits, the Company is required to incur exploration expenses during each "two year period" to maintain the permits in good standing. The following is a summary of the expense requirements:

	Expenditures
2021	$2,353,620
2022	$1,188,978
2023	$3,233,620

17. SUBSEQUENT EVENTS

On January 25th, 2021 Livent withdrew from the joint operation with E3 Metals. Per the original executed agreement: upon Livent withdrawal, E3 had the right to purchase any hard assets in Devco from Devco for 50% of the assessed liquidation value and for all Intellectual Property and

17. SUBSEQUENT EVENTS (Cont'd)

Developments to be transferred by Devco to E3 for USD $1.00. This amounted to E3 paying $4,960 to Livent for their share of the hard assets of Devco upon withdrawal date and will result in a bargain purchase gain for E3 Metals to be determined in Q1 2021.

On February 8, 2021, E3 Metals closed an oversubscribed "bought deal" financing for gross proceeds of $8,050,060 through the issuance of 6,793,300 units. Each unit consisted of one common share as well as a common share purchase warrant where each warrant shall be exercisable to acquire one common share at a price of $1.65 for a period of 24 months. The capital raised is to support the development of E3 Metals proposed pilot plant project and for general corporate purposes.

On March 9, 2021, E3 Metals repaid in full all outstanding amounts owed to the Western Economic Diversification Canada for $150,000.

On April 8, 2021, E3 Metals receipt of a government grant totaling $1,800,000 from Alberta Innovates in support of E3 Metals' direct lithium extraction technology. The grant will be used for pilot plant development and continued technology development.