



**(Formerly Savannah Gold Corp.)**

Condensed Consolidated Interim Financial Statements  
For the nine months ended September 30, 2017 and 2016

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

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(Formerly Savannah Gold Corp.)

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### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the condensed consolidated interim financial statements by an entity's auditors.

November 29, 2017



(Formerly Savannah Gold Corp.)  
 Condensed Consolidated Interim Statements of Financial Position  
 (Expressed in Canadian Dollars– Unaudited)

	Notes	September 30, 2017 (unaudited)	December 31, 2016 (audited)
<b>Assets</b>			
Current assets:			
Cash		\$ 615,502	\$ 484
Receivables	3	31,215	15,726
Prepays		20,801	1,250
		<b>667,518</b>	<b>17,460</b>
Property and equipment	4	42,540	372
Exploration and evaluation assets	8	1,701,241	–
		<b>\$ 2,411,299</b>	<b>\$ 17,832</b>
<b>Liabilities and Shareholders' Deficiency</b>			
Current liabilities:			
Trade payables and accrued liabilities	5	\$ 226,883	\$ 126,565
Due to related parties	10	10,751	284,862
Flow-through premium liability	6	73,866	–
		<b>311,500</b>	<b>411,427</b>
Shareholders' equity (deficiency):			
Share capital	9	16,138,449	13,426,805
Reserves	9	1,545,861	1,148,143
Deficit		(15,584,511)	(14,968,543)
		<b>2,099,799</b>	<b>(393,595)</b>
		<b>\$ 2,411,299</b>	<b>\$ 17,832</b>

Nature and continuance of operations (Note 1)

Fundamental acquisition (Note 7)

Subsequent events (Note 13)

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



(Formerly Savannah Gold Corp.)  
 Condensed Consolidated Interim Statement of Changes in Shareholders' Equity  
 (Expressed in Canadian Dollars– Unaudited)

	Share Capital		Reserves			Total Equity (Deficiency)
	Number of Shares	Amount	Equity Reserve	Foreign Currency Reserve	Deficit	
Balance, December 31, 2015	3,046,021	\$ 13,426,805	\$ 1,223,755	\$ (80,597)	\$ (14,893,917)	\$ (323,954)
Foreign currency translation	–	–	–	4,260	–	4,260
Net loss for the period	–	–	–	–	(37,598)	(37,598)
Balance, September 30, 2016	3,046,021	13,426,805	1,223,755	(76,337)	(14,931,515)	(357,292)
Foreign currency translation	–	–	–	725	–	725
Net loss for the period	–	–	–	–	(37,028)	(37,028)
Balance, December 31, 2016	3,046,021	13,426,805	1,223,755	(75,612)	(14,968,543)	(393,595)
Private placements	5,620,000	1,315,000	–	–	–	1,315,000
Flow-through private placement	738,666	443,200	–	–	–	443,200
Flow-through premium liability	–	(73,866)	–	–	–	(73,866)
Share issuance costs	–	(131,146)	–	–	–	(131,146)
Finders' warrants	–	(41,544)	41,544	–	–	–
Shares issued for mineral property acquisition	6,000,000	1,200,000	–	–	–	1,200,000
Warrants issued for mineral property acquisition	–	–	93,333	–	–	93,333
Share-based compensation	–	–	260,885	–	–	260,885
Foreign currency translation	–	–	–	1,956	–	1,956
Net loss for the period	–	–	–	–	(615,968)	(615,968)
<b>Balance, September 30, 2017</b>	<b>15,404,687</b>	<b>\$ 16,138,449</b>	<b>\$ 1,619,517</b>	<b>\$ (73,656)</b>	<b>\$ (15,584,511)</b>	<b>\$ 2,099,799</b>

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



(Formerly Savannah Gold Corp.)  
 Condensed Consolidated Interim Statements of Comprehensive Loss  
 For the nine months ended September 30, 2017 and 2016  
 (Expressed in Canadian Dollars– Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
<b>Expenses:</b>					
Amortization	4	\$ 944	\$ 34	\$ 1,331	\$ 332
General and administrative	10	36,257	11,886	61,133	48,361
Management fees	10	–	7,500	3,000	22,500
Marketing		83,247	–	127,186	–
Professional fees (recovery)		4,265	(5,051)	11,708	(48,681)
Regulatory and transfer agent fees		3,427	6,921	20,292	15,086
Salaries and benefits	10	81,073	–	107,995	–
Share-based compensation	9,10	–	–	260,885	–
Travel and promotion		6,465	–	22,438	–
Net loss for the period		(215,678)	(21,290)	(615,968)	(37,598)
Other comprehensive income					
Exchange differences on translating foreign operations		1,120	176	1,956	4,260
Comprehensive loss for the period		\$ (214,558)	\$ (21,114)	\$ (614,012)	\$ (33,338)
Loss per common share					
-Basic and diluted		\$ (0.015)	\$ (0.007)	\$ (0.067)	\$ (0.012)
Weighted average number of common shares outstanding –Basic and diluted		14,521,267	3,046,021	9,182,001	3,046,021

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



(Formerly Savannah Gold Corp.)  
 Condensed Consolidated Interim Statements of Cash Flows  
 For the nine months ended September 30, 2017 and 2016  
 (Expressed in Canadian Dollars -Unaudited)

	2017	Nine months ended September 30, 2016
Cash provided by (used in):		
Operating:		
Loss for the period	\$ (615,968)	\$ (37,598)
Items not affecting cash		
Amortization	1,331	332
Share-based compensation	260,885	-
Change in non-cash working capital:		
Receivables	(15,489)	(2,893)
Prepays	(19,551)	1,250
Trade payables and accrued liabilities	(3,700)	(43,466)
Due to related parties	(215,032)	53,223
<b>Net cash used in operating activities</b>	<b>(607,524)</b>	<b>(29,152)</b>
Investing:		
Mineral properties	(330,140)	-
Property & equipment	(39,510)	-
<b>Net cash used in investing activities</b>	<b>(369,650)</b>	<b>-</b>
Financing:		
Loan from related parties	(62,000)	22,500
Proceeds from the private placements, gross	1,758,200	-
Share issuance costs	(105,964)	-
<b>Net cash provided by financing activities</b>	<b>1,590,236</b>	<b>22,500</b>
Effect of foreign exchange	1,956	4,260
Change in cash	615,018	(2,392)
Cash, beginning	484	3,066
<b>Cash, ending</b>	<b>\$ 615,502</b>	<b>\$ 674</b>

Supplemental disclosure with respect to cash flows (Note 11)

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

E3 Metals Corp. ("E3 Metals" or the "Company", formerly Savannah Gold Corp.) 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 205 - 227 10 St NW, Calgary, Alberta, T2N 1V5. The registered and records office is Suite 400-725 Granville Street, Vancouver, BC, V7Y 1G5.

In 2011, the Company was in the business of exploring 3 concession properties in Durango-Zacatecas, Mexico, until it terminated its option agreement in 2012. On March 1, 2011, the Company incorporated a wholly-owned Canadian subsidiary, 0904254 BC Ltd. ("0904254 BC"). On March 4, 2011, the Company also incorporated a Mexican subsidiary, Mexigold Resources SA de CV ("MAU Mexico"), whereby the Company owns 99% and 0904254 BC owns 1% of MAU Mexico.

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 and consolidated its share capital on a ratio of one new post-consolidated common share for every two old pre-consolidated common shares.

On March 3, 2017, the Company consolidated its share capital on a ratio of one new post-consolidated common share for every five old pre-consolidated common shares. All shares and per share references in these financial statements have been retroactively restated accordingly unless noted otherwise.

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 of the issued and outstanding shares of Alberta Co have been exchanged for securities of E3 Metals (Note 6). On the closing of the Transaction, Alberta Co became a wholly-owned subsidiary of the Company. E3 Metals will carry on with the development of Alberta Co.'s "petro-brine" projects covering the Leduc reservoir in south-central Alberta (Note 7).

E3 Metals is an exploration stage company in the process of exploring its mineral properties in Canada, and has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of amounts spent for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its property, and upon future profitable production or proceeds from disposition of the properties.

These consolidated financial statements have been prepared on the 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.

As at September 30, 2017, the Company has not generated any revenues from operations and has an accumulated deficit of \$15,584,511 (December 31, 2016 - \$14,968,543).

The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern.

## **1. NATURE AND CONTINUANCE OF OPERATIONS (cont'd)**

The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These condensed consolidated interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used that may be necessary if the Company is unable to continue as a going concern.

## **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

These financial statements were authorized for issue on November 29, 2017 by the directors of the Company.

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

### ***Basis of Presentation***

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

The condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2016 and 2015. The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2016, except as described in Note 2 *Adoption of new accounting standards*.

### ***Consolidation***

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries. 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.

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

The subsidiaries of the Company are as follows:

	Country of incorporation	Percentage owned	
		September 30, 2017	December 31, 2016
1975293 Alberta Ltd.	Canada	100%	–
0904254 BC	Canada	100%	100%
MAU Mexico	Mexico	100% <sup>(1)</sup>	100% <sup>(1)</sup>

(1) E3 Metals owns 99% and 0904254 BC owns 1% of MAU Mexico

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 assumptions***

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

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the useful life of property and equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability of VAT, recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

### ***Significant judgments***

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

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments; and
- the determination of the functional currency of the Company.

### ***Adoption of new accounting standards***

The amendments to standards and interpretations that were effective for annual periods beginning on January 1, 2017 are as follows. The Company's existing accounting policies are consistent with the amended requirements.

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

### ***Adoption of new accounting standards (cont'd)***

Amendments to IAS 7 Disclosure Initiative: the amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses: the amendment clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the reporting date, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

Amendments to IFRS 12 Disclosure of Interests in Other Entities: the amendment clarify that disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution.

### ***Recent accounting pronouncements***

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.

*IFRS 9, Financial instruments:* the standard was issued by the IASB on July 24, 2014 and will replace IAS 39, Financial instruments: recognition and measurement (“IAS 39”). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

*IFRS 15, Revenue from Contracts with Customers:* the standard was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

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

*IFRS 16, Leases:* 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.

## 3. RECEIVABLES

The receivables consist of Government sales taxes recoverable.

## 4. PROPERTY AND EQUIPMENT

	Computer Equipment	Leasehold Improvements	Furniture	Licenses	Total
<b>Cost:</b>					
At December 31, 2015 and 2016	\$ 2,687	\$ 2,308	\$ 1,034	\$ –	\$ 6,029
Acquisition	9,674	–	600	42,062	938
Disposal	(2,687)	–	(1,034)	–	(3,721)
At September 30, 2017	\$ 9,674	\$ 2,308	\$ 600	\$ 42,062	\$ 54,644
<b>Amortization:</b>					
At December 31, 2015	\$ 2,592	\$ 2,077	\$ 623	\$ –	\$ 5,292
Amortization	52	231	82	–	365
At December 31, 2016	2,644	2,308	705	–	5,657
Amortization	972	–	359	8,837	10,168
Amortization of the disposed items	(2,687)	–	(1,034)	–	(3,721)
At September 30, 2017	\$ 929	\$ 2,308	\$ 1,064	\$ 8,837	\$ 12,104
<b>Net book value:</b>					
At December 31, 2016	\$ 43	\$ –	\$ 329	\$ –	\$ 372
At September 30, 2017	\$ 8,745	\$ –	\$ 570	\$ 33,225	\$ 42,540

Licenses are used for exploration and evaluation activities. Depreciation of licenses of \$8,837 for the nine months ended September 30, 2017 (2016 - \$Nil) has been capitalized to exploration and evaluation assets (Note 8). Depreciation of the remaining items of \$1,331 (2016 - \$Nil) has been expensed.

(Formerly Savannah Gold Corp.)  
 Notes to Condensed Consolidated Interim Financial Statements  
 Nine Months Ended September 30, 2017 and 2016  
 (Expressed in Canadian Dollars – Unaudited)

## 5. TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2017	December 31, 2016
Trade payables	\$ 168,184	\$ 91,140
Trade payables of MAU Mexico	22,969	24,925
Accrued liabilities	35,730	10,500
	<b>\$ 226,883</b>	<b>\$ 126,565</b>

## 6. FLOW-THROUGH PREMIUM LIABILITY

On August 15, 2017, the Company completed a flow-through private placement of 738,666 shares (Note 9 (v)) at a price of \$0.60 per flow-through share. The Company recorded a flow-through liability of \$73,866 (2016 - \$Nil) in connection with the flow-through private placement, which was calculated based on an estimated premium of approximately \$0.10 per flow-through share issued.

The flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties in the aggregate amount equal to the total amount of the gross proceeds raised of \$470,200. The Company will renounce these expenses to the subscribers with an effective date no later than December 31, 2017.

The flow-through premium liability does not represent a cash liability to the Company, and are to be fully amortized to the statement of operations and comprehensive loss pro-rata with the amount of qualifying flow-through expenditures that will be incurred in calendar 2017.

## 7. FUNDAMENTAL ACQUISITION

The Company acquired 100% of the issued and outstanding share capital of Alberta Co pursuant to its Definitive Share Exchange Agreement dated May 8, 2017.

As consideration, E3 Metals

- (i) paid \$150,000 in cash to settle outstanding debt owed from Alberta Co. to Revere Development Corp. (Note 9);
- (ii) issued a total of 6,000,000 common shares (the "Escrow Shares") of the Company in exchange for 100% of the outstanding shares of Alberta Co; and
- (iii) issued 600,000 share purchase warrants (the "Warrants") in exchange for 100% of the outstanding share purchase warrants of Alberta Co. Each Warrant is exercisable into one common share in the capital of the Company at an exercise price of \$0.30 per share until April 19, 2020.

For accounting purposes, the Transaction was accounted as an acquisition of a group of assets. The Company is considered the acquirer, and Alberta Co is considered the acquiree in the Transaction. Alberta Co. was incorporated in June 2016 and does not constitute an operating business; therefore the Transaction cannot be accounted for under IFRS 3, Business Combination.

## 7. FUNDAMENTAL ACQUISITION (cont'd)

The Escrow Shares issued upon closing of the Transactions were valued at \$1,200,000, or \$0.20 per common share issued, based on the share price of the private placement completed by the Company on April 10, 2017. The Warrants were valued at \$93,333, or approximately \$0.16 per Warrant, using the Black-Scholes option pricing model (Note 9).

## 8. EXPLORATION AND EVALUATION ASSETS

### *Alberta Petro-Lithium Project*

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 acquired 61 additional MIM Permits during the quarter ended September 30, 2017.

The Company's properties are currently comprised of 71 MIM Permits, which includes the rights for lithium, totaling 560,828 hectares (5,608 square kilometers) that can be further sub-divided into five separate sub-properties, or groups of contiguous permits:

- Clearwater Sub-Property: 17 contiguous permits totaling 138,990 hectares;
- Exshaw Sub-Property: 14 contiguous permits totaling 106,898 hectares;
- Rocky Sub-Property: 30 contiguous permits totaling 243,751 hectares;
- Sunbreaker Sub-Property: 2 contiguous permits totaling 15,678 hectares;
- Drumheller Sub-Property: 8 contiguous permits totaling 55,510 hectares.

The acquisition costs, including legal and regulatory fees, associated with the Transaction have been capitalized. The following table summarizes the Company's exploration and evaluation asset expenditures to date:

	<b>Alberta Lithium Project</b>	
<b>Acquisition Costs:</b>		
Balance December 31, 2016	\$	–
Additions		1,431,535
Balance September 30, 2017		\$ 1,431,535
<b>Exploration Costs:</b>		
Balance December 31, 2016	\$	–
Depreciation of licenses (Note 4)		8,837
Assays & analysis		39,866
Geological consulting		137,541
Technical reports and other		83,462
Balance, September 30, 2017	\$	269,706
Total, September 30, 2017	\$	1,701,241

## 8. EXPLORATION AND EVALUATION ASSETS (cont'd)

### *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.

## 9. SHARE CAPITAL

### *Authorized share capital*

Unlimited common shares with no par value.

### *Issued and outstanding*

Share capital transactions during the nine months ended September 30, 2017 are as follows:

- On 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 March 10, 2017, the Company completed a non-brokered private placement of 1,700,000 post-consolidated common shares of the Company at a price of \$0.15 per share for gross proceeds of \$255,000. The Company paid \$340 in regulatory filing fees and \$2,867 in legal fees in connection with this private placement;
- On April 10, 2017, the Company completed a non-brokered private placement of 3,000,000 units at a price of \$0.20 per unit, for aggregate gross proceeds of \$600,000. Each unit consists of one common share of the Company and one-half of one transferable common share purchase warrant, with each warrant entitling the holder thereof to acquire one additional common share at a price of \$0.40 until April 10, 2019, subject to acceleration.

In connection with the above private placement, the Company paid cash-based finders' fee of \$29,750 and issued 148,750 non-transferable finder's warrants to certain agents in accordance with applicable securities laws and the policies of the Exchange. Each finder's warrant entitles the holder thereof to acquire one additional common share at a price of \$0.40 until April 10, 2019. The finder's warrants were recorded at a fair value of \$19,507. The Company also incurred regulatory filing fees of \$825 and legal fees of \$14,560 in connection with the private placement;

## 9. SHARE CAPITAL (cont'd)

### *Issued and outstanding* (cont'd)

- (iv) On June 1, 2017, pursuant to the Definitive Share Exchange Agreement with Alberta Co. (Note 1), the Company issued 6,000,000 common shares valued at \$1,200,000 or \$0.20 per common share issued; and
- (v) On August 18, 2017, the Company completed a non-brokered private placement of 920,000 common shares of the Company at a price of \$0.50 per share for gross proceeds of \$460,000, and 738,666 flow-through common shares at a price of \$0.60 per flow-through share for gross proceeds of \$443,200. A flow-through premium liability of \$73,866 was recorded in connection with this private placement based on an estimated premium of approximately \$0.10 per flow-through share issued (Note 6).

In connection with the above private placement, the Company paid cash-based finders' fee of \$51,254 and issued 131,866 non-transferable finder's warrants to certain agents in accordance with applicable securities laws and the policies of the Exchange. Each finder's warrant entitles the holder thereof to acquire one additional common share at a price of \$0.50 until August 18, 2018. The finder's warrants were recorded at a fair value of \$22,037. The Company also incurred regulatory filing fees of \$6,368 and legal fees of \$25,182 in connection with these private placements.

During the year ended December 31, 2016, the Company consolidated its share capital on a ratio of one new post-consolidated common share for every two old pre-consolidated common shares. There were no other transactions affecting share capital.

### ***Escrow Shares***

Under the 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 September 30, 2017, a total of 5,400,000 (2016 – Nil) common shares were held in escrow.

The Company adopted a 10% rolling stock option plan (the "Plan") that enables management to grant options to directors, officers, employees and other service providers. The Company follows the policies of the TSX-V 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.

(Formerly Savannah Gold Corp.)  
Notes to Condensed Consolidated Interim Financial Statements  
Nine Months Ended September 30, 2017 and 2016  
(Expressed in Canadian Dollars – Unaudited)

## 9. SHARE CAPITAL (cont'd)

### *Stock options*

A summary of the Company's stock option transactions at September 30, 2017 and December 31, 2016 is presented below:

	September 30, 2017		December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	–	\$ –	77,500	\$ 4.80
Granted	475,000	0.58	–	–
Expired / forfeited	–	–	(77,500)	4.80
Options outstanding, end of period	475,000	\$ 0.58	–	\$ –

The share options outstanding and exercisable as at September 30, 2017:

Grant date	Number of Options outstanding	Exercise price	Expiry date	Number of Options exercisable
June 14, 2017	75,000	\$ 0.40	June 14, 2020	75,000
June 27, 2017	400,000	\$ 0.60	June 27, 2019	400,000
	475,000	\$ 0.58		475,000

The weighted average life of options outstanding is 1.89 years.

During the nine months ended September 30, 2017, \$260,885 (2016 - \$Nil) in share-based compensation expense was recorded for the 475,000 stock options granted to a director, an officer and four advisors of the Company. All the granted options vested immediately.

The fair value of the stock options granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Risk free rate	0.96%	–
Dividend yield	–	–
Weighted average volatility	150%	–
Weighted average expected life	2.16 years	–
Weighted average fair value	\$ 0.55	–

(Formerly Savannah Gold Corp.)  
Notes to Condensed Consolidated Interim Financial Statements  
Nine Months Ended September 30, 2017 and 2016  
(Expressed in Canadian Dollars – Unaudited)

## 9. SHARE CAPITAL (cont'd)

### Share Purchase Warrants

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

	September 30, 2017		December 31, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of period	–	\$ –	–	\$ –
Issued as part of the Fundamental Acquisition (Note 7)	600,000	0.30	–	–
Issued in connection with the private placement (Note 9 (iii))	1,500,000	0.40	–	–
Finders' warrants (Note 9 (iii),(v))	280,616	0.45	–	–
Warrants, end of period	2,380,616	\$ 0.38	–	\$ –

The share purchase warrants outstanding and exercisable as at September 30, 2017:

Grant date	Number of Warrants outstanding	Exercise price	Expiry date	Number of Warrants exercisable
August 18, 2017	131,866	\$ 0.50	August 18, 2018	–
April 10, 2017 *	1,648,750	\$ 0.40	April 10, 2019	1,648,750
May 30, 2017	600,000	\$ 0.30	April 19, 2020	600,000
	2,380,616	\$ 0.37		2,248,750

\* 546,650 share purchase warrants were exercised subsequent to September 30, 2017 (Note 13(i)).

The weighted average life of warrants outstanding is 1.75 years.

During the nine months ended September 30, 2017, the Company issued an aggregate of 280,616 non-transferable finder's warrants to certain agents in connection with the private placements completed during the nine month period (Note 9(iii),(v)). The Company recorded a total of \$41,544 (2016 - \$Nil) in the Equity reserves account for the finders' warrants issued in connection with the private placement.

The fair value of the finders' warrants granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Risk free rate	0.98%	–
Dividend yield	–	–
Weighted average volatility	135 %	–
Weighted average expected life	1.53 years	–
Weighted average fair value	\$ 0.15	–

## 9. SHARE CAPITAL (cont'd)

### *Share Purchase Warrants* (cont'd)

#### *Warrants issued as a part of the Fundamental Acquisition*

The Company recorded \$93,333 (2016 - \$Nil) in the Equity reserves account for the replacement warrants issued in connection with the Transaction to warrants holders of Alberta Co. The fair value of these warrants granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Risk free rate	0.69%	–
Dividend yield	–	–
Weighted average volatility	156%	–
Weighted average expected life	2.89 years	–
Weighted average fair value	\$ 0.16	–

### **Reserves**

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

Foreign currency reserve records exchange differences arising from translation of the Company's Mexican subsidiary's' results and financial position from their functional currencies into the presentation currency.

## 10. 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 nine months ended September 30, 2017 and 2016, the Company incurred the following charges with directors and officers of the Company and/or companies controlled by them:

Nine months ended September 30,	2017	2016
Management fees (i)	\$ 3,000	\$ 22,500
Management salaries(ii)	100,533	–
Share-based compensation (iii)	27,796	–
<b>Total</b>	<b>\$ 138,791</b>	<b>\$ 22,500</b>

## 10. RELATED PARTY TRANSACTIONS (cont'd)

- (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.

During the nine months ended September 30, 2017, the Company paid \$3,000 (2016 - \$22,500) for management fees and \$18,500 (2016 - \$27,000) for administrative fees to VCC.

As at September 30, 2017, \$Nil (December 31, 2016 - \$221,550) was due to VCC for management and administrative fees, \$3,937 (December 31, 2016 - \$Nil) was prepaid to VCC for October 2017 services inclusive of sales taxes, and \$Nil (December 31, 2016 - \$62,000) was due to VCC for operating loans.

- (ii) During the nine months ended September 30, 2017, the Company paid management salaries of \$100,533 (2016 - \$Nil) to the CEO and Exploration Manager of the Company under new employment agreements dated May 30, 2017 that ratify annual compensation of \$145,000 plus benefits for each individual.
- (iii) During the nine months ended September 30, 2017, 50,000 stock options were granted to a director of the Company and 25,000 stock options were granted to the CFO of the Company. The options are exercisable at \$0.40 per common share for a three year term with no vesting provisions. The Company recorded a share based compensation of \$27,796 (2016 - \$Nil) to recognize the fair value of these options.
- (iv) The Company’s director subscribed for 10,000 flow-through shares at a price of \$0.60 per share under the flow-through private placement completed in August 2017 (Note 9 (v)).

At September 30, 2017, a total of \$10,751 (December 31, 2016 - \$1,312) was due to a director and an officer of the Company for reimbursement of travel and project-related expenses. The amounts were paid subsequent to September 30, 2017.

As a part of the Transaction, an aggregate of 1,442,280 common shares of E3 Metals and 350,000 share purchase warrants of E3 Metals were issued to directors and officers of the Company, who were former security holders of Alberta Co.

In addition, upon closing the Transaction, the Company paid \$150,000 to settle outstanding debt owed from Alberta Co. to Revere Development Corp., a company with a director and shareholder in common.

## 11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Nine months ended September 30,	2017	2016
Cash paid for interest	\$ –	\$ –
Cash paid for income tax	–	–

Significant non-cash transactions for the nine months ended September 30, 2017 included:

- Fair value of shares issued for acquisitions of mineral properties of \$1,200,000 (2016 - \$Nil) (Note 7);
- Fair value of warrants issued for acquisitions of mineral properties of \$93,333 (2016 - \$Nil) (Note 7);
- Exploration and evaluation assets of \$66,010 (2016 - \$Nil) in accounts payable and \$2,921 (2016 - \$Nil) in due to related parties;
- Equipment and leasehold improvements of \$12,826 (2016 - \$Nil) in accounts payable;
- Accrued legal fees payable of \$25,182 (2016 - \$Nil) recorded as share issuance costs (Note 9(v));
- Depreciation of camp equipment and upgrades of \$8,837 (2016 - \$Nil) included in exploration and evaluation assets (Note 4);
- An allocation of \$73,866 (2016 - \$Nil) from capital stock to flow-through premium liability on the issuance of the flow-through shares (Note 6); and
- Fair value of finders' warrants of \$41,544 (2016 - \$Nil) recorded as share issuance costs (Note 9).

## 12. FINANCIAL RISK AND CAPITAL MANAGEMENT

As at September 30, 2017, the Company's financial instruments include cash, trade payables and due to related parties. Trade payables and due to related parties are classified as other financial liabilities. The fair values of trade payables and accrued liabilities and due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

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 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 September 30, 2017, the Company had cash of \$615,502 (December 31, 2016 - \$484).

The Company's secondary exposure to credit risk is on its receivable. This risk is minimal as receivables consist of refundable government sales taxes of \$31,365 (December 31, 2016- \$15,726).

## 12. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

### *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. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

As at September 30, 2017, the Company had a working capital of \$356,018 (December 31, 2016 - a working capital deficiency of \$393,967).

### *Currency risk*

The Company's current operations are not exposed to significant foreign currency risk. The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. However, the Company is exposed to foreign currency risk on fluctuations related to trade payables of the Mexican subsidiary of approximately \$22,969 (Note 5) that are denominated in US Dollars. The Company does not hedge its exposure to foreign exchange risk on these items.

### *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 interest rate risk on its bank deposit, which earns interest at a variable rate, is minimal due to a low balance of the deposit.

### *Funding risk*

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.

### *Price Risk*

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

## 12. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

### 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, the Company may issue new shares through private placements. The Company invests all capital in surplus to its immediate operational needs in short-term liquid and highly-rated financial instruments, such as cash held with major financial institutions. The Company does not pay out dividends.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2017. The Company is not subject to any externally imposed capital requirements.

## 13. SUBSEQUENT EVENTS

Subsequent to September 30, 2017:

- (i) 646,650 share purchase warrants were exercised at \$0.40 per share for gross proceeds of \$258,660, and 646,650 common share of the Company were issued;
- (ii) 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., 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:
  - a. CAD\$35,000; and
  - b. 350,000 common shares of the Company on closing, 150,000 of which will be subject to a voluntary one-year escrow restrictionThe transaction is expected to be completed by the end of 2017
- (iii) The Company has granted incentive options to purchase 620,000 shares at an exercise price of \$0.68, to certain directors, officers, employees and consultants under its existing stock option plan. The options are exercisable for a period of two years. Options for 170,000 shares will vest over a period of nine months, with options for 25 per cent of the shares vesting every quarter following their issuance and the first tranche of such options vesting immediately; and
- (iv) The Company's Mexican subsidiary, MAU Mexico, received confirmation on its VAT recovery application from the Mexican tax authorities for VAT paid on expenses incurred in 2011 and 2012, when the Company conducted exploration activities on the Durango-Zacatecas properties (Note 1). The VAT recovery was of \$123,320 net of consulting and professional fees and other related costs incurred through a consultant who assisted MAU Mexico in the application process.