



Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)



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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 27, 2018



Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars– Unaudited)

	Notes	September 30, 2018 (unaudited)	December 31, 2017 (audited)
Assets			
Current assets:			
Cash		\$ 570,069	\$ 608,428
Receivables	4	15,149	37,132
Prepaid expenses		129,241	18,857
		714,459	664,417
Property and equipment	5	26,455	29,662
Exploration and evaluation assets	8	2,220,232	1,903,102
		\$ 2,961,146	\$ 2,597,181
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade payables and accrued liabilities	6	\$ 106,493	\$ 190,244
Due to related parties	10	16,608	9,633
Short-term loan		7,268	–
Flow-through premium liability	7	12,296	71,029
		142,665	270,906
Shareholders' equity:			
Share capital	9	17,899,703	16,672,893
Common stock subscribed	9	–	20,000
Reserves	9	2,175,480	1,800,028
Deficit		(17,256,702)	(16,166,646)
		2,818,481	2,326,275
		\$ 2,961,146	\$ 2,597,181

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

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



Condensed Consolidated Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars– Unaudited)

	Notes	Share Capital		Reserves			Total Equity (Deficiency)	
		Number of Shares	Amount	Equity Reserve	Foreign Currency Reserve	Common stock subscribed		Deficit
Balance, December 31, 2016		3,046,021	\$ 13,426,805	\$ 1,223,755	\$ (75,612)	\$ –	\$ (14,968,543)	\$(393,595)
Private placements	9	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	9	–	(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)
Balance, September 30, 2017		15,404,687	\$ 16,138,449	\$ 1,619,517	\$ (73,656)	\$ –	\$ (15,584,511)	\$ 2,099,799
Flow-through private placements	9	143,572	100,500	–	–	–	–	100,500
Flow-through premium liabilities	9	–	(28,571)	–	–	–	–	(28,571)
Share issuance costs	9	–	1,021	–	–	–	–	1,021
Fair value of finders' warrants	9	–	(1,218)	1,218	–	–	–	–
Exercise of warrants	9	1,055,000	422,000	–	–	20,000	–	442,000
Finders' warrants exercised	9	76,650	40,712	(10,052)	–	–	–	30,660
Share-based compensation	9	–	–	264,514	–	–	–	264,514
Foreign currency translation		–	–	–	(1,513)	–	–	(1,513)
Net loss for the period		–	–	–	–	–	(582,135)	(582,135)
Balance, December 31, 2017		16,679,909	\$ 16,672,893	\$ 1,875,197	\$ (75,169)	\$ 20,000	\$ (16,166,646)	\$ 2,326,275
Private placements		3,232,500	1,293,000	–	–	–	–	1,293,000
Share issuance costs		–	(20,325)	–	–	–	–	(20,325)
Shareholder warrants		–	(320,645)	320,645	–	–	–	–
Broker warrants		–	(6,720)	6,720	–	–	–	–
Exercise of warrants	9	360,000	141,500	–	–	(20,000)	–	121,500
Shares issued for mineral property acquisition	8,9	350,000	140,000	–	–	–	–	140,000
Share-based compensation	9	–	–	48,039	–	–	–	48,039
Foreign currency translation		–	–	–	48	–	–	48
Net loss for the period		–	–	–	–	–	(1,090,056)	(1,090,056)
Balance, September 30, 2018		20,622,409	\$ 17,899,703	\$ 2,250,601	\$ (75,121)	\$ –	\$ (17,256,702)	\$ 2,818,481

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



Condensed Consolidated Interim Statements of Comprehensive Loss
For the three and nine months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars– Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
Expenses:					
Management salaries	9	\$ 122,298	\$ 81,073	\$ 373,397	\$ 107,995
Marketing		133,045	83,247	242,990	127,186
Professional and consulting fees		139,542	4,265	264,698	11,708
General and administrative	9	56,460	36,257	143,708	64,133
Travel and promotion		7,719	6,465	40,301	22,438
Share-based compensation		27,161	–	48,039	260,885
Regulatory and transfer agent fees		9,895	3,427	23,449	20,292
Depreciation and amortization		3,224	944	9,023	1,331
Research and development		–	–	3,184	–
Net loss for the period		(499,344)	(215,678)	(1,148,789)	(615,968)
Amortization of flow-through premium liability		23,338	–	58,733	–
Other comprehensive income					
Exchange differences on translating foreign operations		–	1,120	–	1,956
Comprehensive loss for the period		\$ (476,006)	\$ (214,558)	\$(1,090,056)	\$ (614,012)
Earnings (loss) per common share					
- Basic and diluted		\$ (0.03)	\$ (0.01)	\$ (0.06)	\$ (0.07)
Weighted average number of common shares outstanding - Basic and diluted		18,830,479	14,539,296	17,798,306	9,182,001

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



Condensed Consolidated Interim Statements of Cash Flows
 For the three and nine months ended September 30, 2018 and 2017
 (Expressed in Canadian Dollars -Unaudited)

Notes	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Cash provided by (used in):				
Operating:				
Net loss for the period	\$ (476,007)	\$ (215,678)	\$ (1,090,056)	\$ (615,968)
Items not affecting cash				
Depreciation	3,027	944	7,895	1,331
Amortization of flow-through premium liability	(23,338)	-	(58,733)	-
Share-based compensation	27,162	-	48,039	260,885
Change in non-cash working capital:				
Receivables	10,648	4,160	21,983	(15,489)
Prepaid expenses	(122,637)	(18,100)	(110,384)	(19,551)
Trade payables and accrued liabilities	(69,561)	(87,804)	(83,751)	(3,700)
Due to related parties	(17,318)	(31,144)	6,975	(215,032)
Net cash used in operating activities	(668,024)	(347,622)	(1,258,032)	(607,524)
Investing:				
Exploration and evaluation assets	(54,191)	(32,647)	(168,027)	(330,140)
Property and equipment	(63)	(38,572)	(13,791)	(39,510)
Change in short-term loans	(3,115)	-	7,268	-
Net cash used in investing activities	(57,369)	(71,219)	(174,550)	(369,650)
Financing:				
Proceeds from private placements (net)	1,272,675	845,578	1,272,675	1,652,236
Common stock subscribed	(45,000)	-	-	-
Exercise of warrants	-	-	121,500	-
Loan from related parties	-	-	-	(62,000)
Net cash from financing activities	1,227,675	845,578	1,394,175	1,590,236
Effect of foreign exchange	(1)	1,120	48	1,956
Change of cash during the period	502,281	427,857	(38,359)	615,018
Cash, beginning of the period	67,788	187,645	608,428	484
Cash, end of the period	\$ 570,069	\$ 615,502	\$ 570,069	\$ 615,502

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

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars – Unaudited)

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

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

E3 Metals is a resource company with mineral properties in Alberta that is currently focused on technology development for lithium extraction from Alberta brines (Note 3). The Company 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 condensed consolidated interim 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 condensed consolidated interim 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 September 30, 2018, the Company has not generated revenues from operations and has an accumulated deficit of \$17,256,702 (December 31, 2017 - \$16,166,646) including a net loss of \$1,090,056 (2017 - \$614,012) incurred during the nine months ended September 30, 2018.

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. The Company may continue to have capital requirements in excess of its currently available resources. The Company will require financing in the future to continue its business plan, and there can be no assurance that such financing will be available or, if available, that it will be on reasonable terms.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on November 27, 2018 by the directors of the Company.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars – Unaudited)

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

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, 2017. 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, 2017, except as described in Note 2: *Adoption of new accounting standards*.

Consolidation

These condensed consolidated interim 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.

The subsidiaries of the Company are as follows:

	Country of incorporation	Percentage owned	
		September 30, 2018	December 31, 2017
1975293 Alberta Ltd.	Canada	100%	100%
0904254 BC Ltd.	Canada	100% ⁽¹⁾	100% ⁽¹⁾
Mexigold Resources SA de CV (“MAU Mexico”)	Mexico	100% ⁽¹⁾	100% ⁽¹⁾

(1) E3 Metals owns 99% and 0904254 BC owns 1% of MAU Mexico, which is an inactive company. 0904254 BC Ltd is also inactive.

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.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars – Unaudited)

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

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, 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 assessment of the carrying value of the Company's exploration and evaluation assets; and
- the classification of financial instruments.

Adoption of new accounting standards

The Company has adopted the following new and revised standards, along with all consequential amendments, effective January 1, 2018.

IFRS 9, "Financial Instruments": In July 2014, the IASB completed the final phase of its project to replace IAS 39, the current standard on the recognition and measurement of financial instruments. IFRS 9 is now the new standard which sets out the recognition and measurement requirements for financial instruments and some contracts to buy or sell non-financial items. IFRS 9 provides a single model of classifying and measuring financial assets and liabilities and provides for only two classification categories: amortized cost and fair value. Hedge accounting requirements have also been updated in the new standard and are now more aligned with the risk management activities of an entity. The Company adopted IFRS 9 on January 1, 2018 and has determined that there was no material impact on its consolidated financial statements as a result of the adoption.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Company.

Notes to the Condensed Consolidated Interim Financial Statements
 For the three and nine months ended September 30, 2018 and 2017
 (Expressed in Canadian Dollars – Unaudited)

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

Adoption of new accounting standards (cont'd)

IFRS 16, Leases, is effective for annual reporting periods beginning on or after January 1, 2019 for public entities with early adoption permitted. IFRS 16 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 remain largely in line with previous IAS 17 requirements.

The Company has not early adopted this standard but does not believe that adoption of the standard would have an impact of the interim condensed consolidated financial statements of the Company.

3. 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.;
- (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; the Transaction was not accounted for as a business combination under IFRS 3.

The 6,000,000 shares issued upon closing of the Transaction were valued at \$1,200,000, or \$0.20 per common share, 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.

The fair value of the consideration paid in the Transaction is as follows:

Cash	\$ 150,000
Fair value of shares issued	1,200,000
Fair value of warrants issued	93,333
Consideration Paid	\$ 1,443,333

Notes to the Condensed Consolidated Interim Financial Statements
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3. ACQUISITION (cont'd)

The fair value of assets acquired and liabilities assumed from Alberta Co. are as follows:

Cash	\$	1
Receivables		10,525
Exploration and evaluation assets		155,096
Trade payables		(50,892)
Advance payable		(150,050)
Net liabilities acquired	\$	(35,320)

The allocation of consideration paid in excess of net liabilities acquired of \$1,478,653 was allocated as follows:

Consideration in excess of net liabilities acquired	\$	1,478,653
Less allocation of cash paid to settle advance payable		(150,000)
Allocation to exploration and evaluation assets (Note 8)	\$	1,328,653

4. RECEIVABLES

Receivables consist of Goods and Services Tax (“GST”) recoverable by the Company and its subsidiaries on expenditures made.

5. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture	Software Licenses	Leasehold Improvements	Total
Cost:					
At December 31, 2016	\$ 2,687	\$ 1,034	\$ –	\$ 2,308	\$ 6,029
Acquisition	19,349	2,760	26,300	–	48,409
Disposal	(2,687)	(1,034)	–	–	(3,721)
At December 31, 2017	19,349	2,760	26,300	2,308	50,717
Acquisition	1,331	–	–	12,460	13,791
At September 30, 2018	\$ 20,680	\$ 2,760	\$ 26,300	\$ 14,768	\$ 64,508

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars – Unaudited)

5. PROPERTY AND EQUIPMENT (cont'd)

	Computer Equipment	Furniture	Software Licenses	Leasehold Improvements	Total
Amortization:					
At December 31, 2016	\$ 2,644	\$ 705	\$ –	\$ 2,308	\$ 5,657
Amortization	5,364	605	13,150	–	19,119
Amortization of the disposed items	(2,687)	(1,034)	–	–	(3,721)
At December 31, 2017	5,321	276	13,150	2,308	21,055
Amortization	5,904	367	9,727	999	16,997
At September 30, 2018	\$ 11,225	\$ 643	\$ 22,877	\$ 3,307	\$ 38,052
Net book value:					
At December 31, 2017	\$ 14,028	\$ 2,484	\$ 13,150	\$ –	\$ 29,662
At September 30, 2018	\$ 9,455	\$ 2,117	\$ 3,423	\$ 11,461	\$ 26,455

6. TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2018	December 31, 2017
Trade payables	\$ 106,493	\$ 96,658
Exploration payables	–	73,586
Accrued liabilities	–	20,000
	\$ 106,493	\$ 190,244

7. FLOW-THROUGH PREMIUM LIABILITY

	September 30, 2018	December 31, 2017
Balance, beginning of period	\$ 71,029	\$ –
Added :		
August 2017 private placement (Note 9(viii))	–	73,866
December 2017 private placement (Note 9(ix))	–	28,571
Amortization of flow-through premium liability	(58,733)	(31,408)
Balance, end of period	\$ 12,296	\$ 71,029

Flow-through share arrangements entitle the holder of the flow-through share to a 100% tax deduction in respect of qualifying Canadian exploration expenses as defined under the Income Act, Canada (“Qualifying CEE”). In 2017, the Company received \$543,700 of flow-through share proceeds and renounced the full amounts to the flow-through share subscribers at December 31, 2017 using

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2018 and 2017
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7. FLOW-THROUGH PREMIUM LIABILITY (cont'd)

the “look back” rule. The Company will be required to incur \$543,700 of Qualifying CEE by December 31, 2018 with respect to the flow-through shares previously issued.

At September 30, 2018, the Company incurred \$443,200 (December 31, 2017 - \$188,449) in Qualifying CEE and amortized a total of \$73,867 of its flow-through liabilities associated with the August 2017 financing. The Company incurred \$57,239 (December 31, 2017 - Nil) in Qualifying CEE and amortized a total of \$16,275 of its flow-through liabilities associated with the December 2017 financing.

The flow-through premium liability does not represent a cash liability to the Company and is to be fully amortized to the statement of comprehensive loss pro-rata with the amount of qualifying flow-through expenditures that will be incurred in 2018.

When the Company uses the “look-back” rule to renounce CEE to investors before the Company actually incurs them, the Company is liable for the flow-through Part XII.6 tax (“FT Tax”). As at September 30, 2018, the Company accrued a FT Tax of \$1,128 (December 31, 2017 – Nil) with respect to its 2017 flow-through applications.

8. EXPLORATION AND EVALUATION ASSETS

Pursuant to the Share Exchange Transaction (Note 3), the Company acquired a 100% interest in the Clearwater and Exshaw Petro-Lithium projects (“Alberta Petro-Lithium Project”) covering the Leduc reservoir in south-central Alberta and comprised of 10 Alberta Metallic and Industrial Mineral Permits (“MIM Permits”) totaling 87,965 hectares (879.65 square kilometers). The Company also acquired 64 additional MIM Permits during the year ended December 31, 2017, and 2 additional MIM Permits during the nine months ending September 30, 2018.

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

- Clearwater Sub-Property: 19 contiguous permits totaling 149,433 hectares;
- Exshaw Sub-Property: 18 contiguous permits totaling 137,570 hectares;
- Rocky Sub-Property: 29 contiguous permits totaling 234,973 hectares;
- Sunbreaker Sub-Property: 2 contiguous permits totaling 15,678 hectares; and
- Drumheller Sub-Property: 8 contiguous permits totaling 55,511 hectares.

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:

Notes to the Condensed Consolidated Interim Financial Statements
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8. EXPLORATION AND EVALUATION ASSETS (cont'd)

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

Exshaw

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

- CAD \$35,000 (paid in December 31, 2017); and
- 350,000 common shares of the Company (issued in February 2018) (Note 9(i)).

The following table summarizes the Company’s exploration and evaluation asset expenditures to in its Alberta Petro-Lithium Project as at September 30, 2018:

Acquisition Costs:		
Balance December 31, 2016	\$	–
Excess consideration paid on acquisition of Alberta Co. (Note 3)		1,328,653
Permitting and other acquisition costs		179,871
Balance December 31, 2017		1,508,524
Common shares issued for acquisition of properties (Note 9)		140,000
Permitting and other acquisition costs		485
Balance September 30, 2018	\$	1,649,009
Exploration Costs:		
Balance December 31, 2016	\$	–
Amortization of licenses		12,306
Geochemistry analysis		108,888
Geological consulting		256,491
Metallurgical assessments		16,893
Balance, December 31, 2017		394,578
Geologic software licenses		15,936
Environmental consulting		9,113
Geochemistry analysis		44,967
Geological and geochemistry consulting		88,986
Metallurgical assessments		2,700
Other		14,943
Balance, September 30, 2018	\$	571,223
Total, December 31, 2017	\$	1,903,102
Total, September 30, 2018	\$	2,220,232

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars – Unaudited)

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, 2018 were as follows:

- (i) On August 20, 2018, the Company completed a non-brokered private placement announced on June 12, 2018. Under this private placement, the Company has issued 3,232,500 units of the Company at a price of \$0.40 per unit for gross proceeds of \$1,293,000. Each unit comprises of one common share of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share with an exercise price of \$0.40 for a period of 4 months following the date of issuance, and an exercise price of \$0.60 thereafter. All common share purchase warrants expire on August 20, 2019. The common share purchase warrants were recorded at a fair value of \$320,646. The Company also incurred \$20,325 in cash commissions and issued 67,750 broker warrants on the same terms as the common share purchase warrants to certain brokers in connection with this private placement. The broker warrants were recorded at a fair value of \$6,720. The fair value of the warrants was calculated using the following inputs: stock price – \$0.40, exercise price – \$0.60, volatility – 94.59%, discount rate – 2.1%.
- (ii) The Company has issued 350,000 common shares valued at \$140,000 or \$0.40 per common share for the acquisition of 3 MIM permits in the Exshaw Project Area from Fathom (Note 8). 150,000 of these shares will be subject to a voluntary one-year escrow restriction;
- (iii) The Company has issued 335,000 common shares pursuant of the exercise of 350,000 share purchase warrants at a price of \$0.40 per share for gross proceeds of \$134,000, of which \$20,000 was received on December 31, 2017 and recorded in common stock subscribed. These warrants were issued under the April 2017 private placement and were subject to an acceleration provision. The Company exercised the acceleration provision right after its common shares traded on the TSX-V at a price of \$0.80 or more for 20 consecutive days and issued a notice to warrant holders to accelerate the expiry date of the warrants to January 5, 2018. The 110,000 warrants from the April 10, 2017 grant expired unexercised on January 5, 2018;
- (iv) The Company has issued 25,000 common shares pursuant to the exercise of 25,000 share purchase warrants by the officer of the Company at \$0.30 per share for gross proceeds of \$7,500.

Share capital transactions during the year ended December 31, 2017 were as follows:

- (i) 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. All share, warrant, and option information has been retroactively re-stated for this share consolidation;

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9. SHARE CAPITAL (cont'd)

Issued and outstanding (cont'd)

- (ii) 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;
- (iii) 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;

- (iv) On June 1, 2017, pursuant to the Definitive Share Exchange Agreement with Alberta Co. (Note 3), the Company issued 6,000,000 common shares valued at \$1,200,000 or \$0.20 per common share issued;
- (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 of the Company 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 the flow-through private placement based on an estimated premium of approximately \$0.10 per flow-through share issued (Note 7).

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 \$11,114 in connection with these private placements. On August 19, 2018, 131,866 warrants with an exercise price of \$0.50 have expired;

- (vi) On December 29, 2017, the Company completed a non-brokered private placement of 143,572 units of the Company at a price of \$0.70 per unit for gross proceeds of \$100,500. Each unit consisted of one flow-through 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 \$1.00 until June 29, 2019, subject to acceleration.

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9. SHARE CAPITAL (cont'd)

Issued and outstanding (cont'd)

A flow-through premium liability of \$28,571 was recorded in connection with this private placement based on an estimated premium of approximately \$0.20 per flow-through share issued (Note 7).

In connection with the above private placement, the Company paid cash-based finders' fee of \$6,030 and issued 8,614 non-transferable finder's warrants to an agent 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 \$1.00 until June 29, 2019. The finder's warrants were recorded at a fair value of \$1,218. The Company also incurred regulatory filing fees of \$1,753 and legal fees of \$5,264 in connection with the private placement;

(vii) 1,131,650 share purchase warrants (including 76,650 finders' warrants) issued under the April 2017 private placement were exercised at a price of \$0.40 per share for gross proceeds of \$452,660, and 1,131,650 common shares of the Company were issued during the year. In addition, the Company has transferred \$10,052 from equity reserve to share capital for the exercise of 76,650 finders' warrants, which represents the estimated fair value of the warrants at the grant date.

At December 31, 2017, \$20,000 was recorded in common stock subscribed for the exercise of 50,000 warrants at a price of \$0.40 per share. The shares were issued during the nine months ended September 30, 2018.

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 September 30, 2018, a total of 3,600,000 (December 31, 2017 – 4,500,000) common shares were held in escrow.

In addition, 150,000 of the common shares issued to Fathom for acquisition of the MIM permits are subject to a voluntary one-year escrow restriction.

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9. SHARE CAPITAL (cont'd)

Share Purchase Warrants

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

	September 30, 2018		December 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants , beginning of period	1,279,366	\$ 0.40	–	\$ –
Issued as part of the Acquisition (Note 3)	–	–	600,000	0.30
Issued in connection with the private placement	3,232,500	0.40	1,571,786	0.42
Broker warrants	67,750	0.40	–	–
Finders' warrants	–	–	289,230	0.46
Exercised	(310,000)	0.39	(1,181,650)	0.40
Forfeited	(110,000)	0.40	–	–
Forfeited	(131,866)	0.50	–	–
Warrants, end of period	4,027,750	\$ 0.40	1,279,366	\$ 0.40

The share purchase warrants outstanding and exercisable as at September 30, 2018:

Grant date	Number of warrants outstanding	Exercise price	Expiry date	Weighted average life of warrants (years)	Number of warrants exercisable
April 10, 2017	72,100	\$ 0.40	April 10, 2019	0.53	72,100
December 29, 2017	80,400	\$ 1.00	June 29, 2019	0.75	80,400
May 30, 2017	575,000	\$ 0.30	April 19, 2020	1.55	575,000
August 20, 2018	3,232,500	\$ 0.40	August 20, 2019	0.89	3,232,500
August 20, 2018	67,750	\$ 0.40	August 20, 2019	0.89	67,750
	4,027,750	\$ 0.40		0.97	4,027,750

Stock options

The Company adopted a 10% rolling stock option plan (the “Plan”) that enables management to grant options to directors, officers, employees and other service providers. The Company follows the policies of the Exchange where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price and the vesting conditions of the options. Options granted fully vest on the date of grant, except for options issued to

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9. SHARE CAPITAL (cont'd)

Stock Options (cont'd)

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:

	September 30, 2018		December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	1,095,000	\$ 0.64	–	\$ –
Granted	640,000	\$ 0.40	1,095,000	0.64
Forfeited	(25,000)	\$ 0.68	–	–
Options outstanding, end of period	1,710,000	\$ 0.55	1,095,000	\$ 0.64

The share options outstanding and exercisable as at September 30, 2018:

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
November 7, 2017	595,000	\$ 0.68	November 7, 2019	552,500
August 21, 2018	640,000	\$ 0.40	August 21, 2021	640,000
	1,710,000			1,667,500

The weighted average life of options outstanding is 1.73 years.

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

During the nine months ended September 30, 2018, the Company recorded \$48,039 (2017 - \$260,885) in share-based compensation expense for the options granted and vested during the period.

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.

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9. SHARE CAPITAL (cont'd)

Reserves (cont'd)

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

Nine months ended September 30,	2018	2017
Management fees (i)	\$ –	\$ 3,000
Management salaries and benefits(ii)	246,990	–
Share-based compensation (iii)	15,828	–
Total	\$ 262,818	\$ 3,000

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

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

During the nine months ended September 30, 2018, the Company paid \$Nil (2017 - \$3,000) for management fees and \$18,750 (2017 - \$6,000) for administrative fees to VCC.

- (ii) On May 30, 2017, the Company entered into employment agreements with the CEO and the VP of Project Development of the Company that ratify annual compensation of \$145,000 plus benefits for each individual. During the nine months ended September 30, 2018, the Company paid gross management salaries of \$226,200 (2017 - \$Nil) pursuant to these agreements.

On May 10, 2018, the Company entered into an agreement with The CFO Centre Limited to provide part-time CFO services on a contract basis. For the nine months ended September 30, 2018, the Company paid \$20,790 (2017 - \$Nil) in consulting fees.

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10. RELATED PARTY TRANSACTIONS (cont'd)

- (iii) The Company recognised share-based compensation of \$12,090 (2017 -\$Nil) on the vested portion of the stock options granted to the VP of Project Development. On August 21, 2018, 20,000 stock options were granted to the CFO of the Company, and \$3,737 (2017 -\$Nil) share-based compensation was recognised on the vested portion of these stock options.
- (iv) During the nine months ended September 30, 2018, 25,000 share purchase warrants were exercised by the VP of Project Development at \$0.30 per share for gross proceeds of \$7,500. These warrants were issued under the terms of the Acquisition (Note 3 and 9(iii)).
- (v) At September 30, 2018, a total of \$16,608 (December 31, 2017 - \$9,633) was due to officers of the Company or their related affiliates for reimbursement of travel, project-related expenses and consulting fees. The amounts were paid subsequent to September 30, 2018.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the nine months ended September 30, 2018 and 2017 included:

- Fair value of shares issued for acquisitions of mineral properties of \$1,293,000 (2017 - \$Nil) (Note 9);
- Fair value of shares issued for acquisitions of mineral properties of \$140,000 (2017 - \$Nil) (Note 9);
- Fair value of common share purchase warrants issued for acquisitions of mineral properties of \$320,645 (2017 - \$Nil) (Note 9);
- Fair value of broker warrants issued for acquisitions of mineral properties of \$6,720 (2017 - \$Nil) (Note 9).

12. FINANCIAL RISK AND CAPITAL MANAGEMENT

As at September 30, 2018, the Company's financial instruments include cash, trade payables and due to related parties. Cash is classified as a financial asset at fair value through profit or loss. Trade payables and due to related parties are classified as other financial liabilities. The carrying value of these financial instruments approximates their fair value due to their short-term maturity.

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, 2018, the Company had cash of \$570,069 (December 31, 2017 - \$608,428).

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

The Company's secondary exposure to credit risk is on its receivable balance. This risk is minimal as receivables consist of refundable government sales taxes of \$15,149 (December 31, 2017 - \$37,132).

Currency risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The fair value of the Company's financial instruments is relatively unaffected by changes in interest rates. The Company is exposed to interest rate risk on its bank deposit, which earns interest at a variable rate. Based on the cash balance at September 30, 2018, 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 September 30, 2018, the Company had a working capital (excluding the flow-through premium liability) of \$584,090 (December 31, 2017 - \$464,540). At September 30, 2018, the Company had a cash balance of \$570,069, which is sufficient to pay its current cash liabilities of \$130,369 and to continue operations.

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, 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, 2018. The Company is not subject to any externally imposed capital requirements.

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

Capital Management (cont'd)

During the nine months ended September 30, 2018, the Company received a grant funding of \$40,000 from the Industrial Research Assistance Program (IRAP) toward the salaries of an intermediate chemical process engineer and a junior geologist. The grant will be paid over a six-month period.

The Company received a grant of \$100,000 from the National Science & Engineering Research Council (“NSERC”) under the collaborative research and development grant program. The funding will continue to support the advancement of the Company’s promising lithium concentration technology into 2019.

During the nine months ended September 30, 2018, the Company received a grant of \$56,000 from the Industrial Research Assistance Program (“IRAP”), a federal funding agency, to assist in the development work at the National Research Institute. The funding will continue to support the development and scaling of the Company’s concentration technology.

The Company received a grant of \$100,000 from Alberta Innovates (“AI”), an Alberta provincial funding agency, to assist in the development work at GreenCenter Canada. The funding will continue to support the development and scaling of the Company’s concentration technology.

13. SUBSEQUENT EVENTS

On October 11, 2018, the Company acquired two strategic Metallic and Industrial Minerals (“MIM”) permits in South-Central Alberta from Alberta Government. The new permits are valid for a period of 14 years. The strategic acquisition provides an opportunity to reevaluate the existing Clearwater Mineral Resource. The Company intends to complete a comprehensive sampling program with the aim of extending the Clearwater Resource into the new Clearwater East permit area.