



Consolidated Financial Statements

For the year ended December 31, 2018 and 2017

Expressed in Canadian Dollars



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Independent Auditor's Report

To the Shareholders of E3 Metals Corp.:

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. As at December 31, 2018, the Company has not generated revenues from operations and has an accumulated deficit of \$17,546,133 including a net loss of \$1,379,487 incurred during the year ended December 31, 2018. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company as at December 31, 2017 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements in their report dated April 27, 2018.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Calgary, Alberta

April 4, 2019

MNP LLP

Chartered Professional Accountants

MNP

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		December 31, 2018	December 31, 2017
	Notes		
Assets			
Current assets:			
Cash		\$ 347,547	\$ 608,428
Receivables	5	24,092	37,132
Prepaid expenses		9,415	18,857
		381,054	664,417
Property and equipment	6	19,233	29,662
Exploration and evaluation assets	3,9	2,511,076	1,903,102
		\$ 2,911,363	\$ 2,597,181
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade payables and accrued liabilities	7	\$ 95,883	\$ 190,244
Due to related parties	11	22,465	9,633
Short-term loan		4,153	—
Flow-through premium liability	8	—	71,029
		122,501	270,906
Shareholders' equity:			
Share capital	10	18,101,271	16,672,893
Common stock subscribed	10	—	20,000
Contributed surplus	10	2,309,094	1,875,197
Foreign currency reserve		(75,370)	(75,169)
Deficit		(17,546,133)	(16,166,646)
		2,788,862	2,326,275
		\$ 2,911,363	\$ 2,597,181

Nature and continuance of operations (Note 1)

Commitments (Note 14)

Subsequent events (Note 15)

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

On Behalf of the Board of Directors:

"Chris Doornbos"
Director

"Mike O'Hara"
Director



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

	Notes	Share Capital		Contributed Surplus	Foreign Currency Reserve	Common stock subscribed	Deficit	Total Equity (Deficiency)
		Number of Shares	Amount					
Balance, December 31, 2016		3,046,021	\$ 13,426,805	\$ 1,223,755	(75,612)	\$ –	\$ (14,968,543)	\$(393,595)
Private placements	10	5,620,000	1,315,000	–	–	–	–	1,315,000
Flow-through private placement		882,234	543,700	–	–	–	–	543,700
Flow-through premium liability		–	(102,437)	–	–	–	–	(102,437)
Share issuance costs	10	–	(130,125)	–	–	–	–	(130,125)
Fair value of finders' warrants		–	(42,762)	42,762	–	–	–	–
Exercise of warrants		1,055,000	422,000	–	–	20,000	–	442,000
Finders' warrants exercised		76,650	40,712	(10,052)	–	–	–	30,660
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		–	–	525,399	–	–	–	525,399
Foreign currency translation		–	–	–	443	–	–	443
Net loss for the year		–	–	–	–	–	(1,198,103)	(1,198,103)
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		3,540,000	1,416,000	–	–	–	–	1,416,000
Shareholder warrants		–	(247,800)	247,800	–	–	–	–
Broker warrants		–	(5,565)	5,565	–	–	–	–
Exercise of warrants	10	360,000	141,500	–	–	(20,000)	–	121,500
Share issuance costs		–	(38,827)	–	–	–	–	(38,827)
Shares issued for mineral property acquisition	9,10	350,000	140,000	–	–	–	–	140,000
Shares issued for debt	10	72,093	23,070	–	–	–	–	23,070
Share-based compensation	10	–	–	180,532	–	–	–	180,532
Foreign currency translation		–	–	–	(201)	–	–	(201)
Net loss for the year		–	–	–	–	–	(1,379,487)	(1,379,487)
Balance, December 31, 2018		21,002,002	\$ 18,101,271	\$ 2,309,094	\$ (75,370)	\$ –	\$ (17,546,133)	\$ 2,788,862

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

Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Notes	2018	2017
Expenses:			
Wages and benefits		\$ 318,151	\$ 184,714
Consulting fees		352,450	3,000
Marketing expenses		265,582	394,490
General and administrative		146,321	114,873
Professional fees		101,062	81,626
Share-based compensation	10	180,532	525,399
Travel expenses		50,934	40,691
Regulatory and transfer agent fees		30,536	26,150
Amortization	6	11,915	6,813
		(1,457,483)	(1,377,756)
Gain on debt settlement	10	7,930	24,925
Recovery of value added tax (VAT), net	4	–	123,320
Amortization of flow-through premium liability	8	71,029	31,408
Flow-through tax	8	(963)	–
Net loss for the year		(1,379,487)	(1,198,103)
Other Comprehensive Income			
Exchange (loss) gain on operations		(201)	443
Comprehensive loss for the year		\$ (1,379,688)	\$(1,197,660)
Loss per common share			
- Basic and diluted		\$ (0.07)	\$ (0.11)
Weighted average number of common shares outstanding - Basic and diluted		18,523,654	10,856,470

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

Consolidated Statements of Cash Flows
For the year ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Notes	2018	2017
Cash provided by (used in):			
Operating:			
Net loss for the year		\$ (1,379,487)	\$ (1,198,103)
Items not affecting cash			
Amortization	6	11,914	6,813
Amortization of flow-through premium liability	8	(71,029)	(31,408)
Gain on settlement of debt		(7,930)	(24,925)
Share-based compensation	10	180,532	525,399
Change in non-cash working capital:			
Receivables		13,040	(21,406)
Prepaid expenses		9,442	(17,607)
Trade payables and accrued liabilities		(63,361)	(15,018)
Due to related parties		12,832	(213,229)
Net cash used in operating activities		(1,294,047)	(959,448)
Investing:			
Exploration and evaluation assets	9	(455,668)	(523,877)
Property and equipment	6	(13,791)	(48,409)
Increase in short term loan		4,153	–
Net cash used in investing activities		(465,306)	(572,286)
Financing:			
Proceeds from private placements	10	1,416,000	1,858,700
Stock issuance costs		(38,827)	(130,125)
Exercise of warrants	10	121,500	472,660
Loan from related parties		–	(62,000)
Net cash from financing activities		1,498,673	2,139,235
Effect of foreign exchange		(201)	443
Change of cash during the year		(260,881)	607,944
Cash, beginning of the year		608,428	484
Cash, end of the year		\$ 347,547	\$ 608,428

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

Notes to the Consolidated Financial Statements
For the year ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

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

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

As at December 31, 2018, the Company has not generated revenues from operations and has an accumulated deficit of \$17,546,133 (December 31, 2017 - \$16,166,646) including a net loss of \$1,379,487 (2017 - \$1,198,103) incurred during the year ended December 31, 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.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on April 1, 2019 by the directors of the Company.

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

Basis of Presentation

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

Consolidation

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

The subsidiary of the Company are as follows:

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

(1) E3 Metals owns 99% and 0904254 BC owns 1% of MAU Mexico, which is inactive and has no assets. 0904254 BC Ltd was also dissolved in 2018.

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

Notes to the Consolidated Financial Statements
For the year ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

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.

Share-based payments

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

Taxation

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

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

Significant judgments

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

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the assessment of the carrying value of the Company's exploration and evaluation assets;
- the Company must determine cash generating unit ("CGUs"). Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. Management has determined that the Company has one CGU; and
- the classification of financial instruments.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

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

Foreign Currency Translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the parent company and its Canadian subsidiary. The functional currency of MAU Mexico is the Mexican Peso.

Foreign currency transactions, balances and translation:

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

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

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

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

Translation of operations with a different functional currency:

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

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

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

Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. For stock options, the cost of the option is expensed or capitalized as an addition to non-monetary assets depending on the reason for the grant. The corresponding amount is recorded to contributed surplus. The fair value of options granted is determined using the Black-Scholes Option Pricing Model. The number of shares and options

Notes to the Consolidated Financial Statements
For the year ended December 31, 2018 and 2017
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2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Share-based Payments (cont'd)

expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Cash

Cash includes cash on hand at Canadian financial banking institutions.

Financial Instruments

The Company adopted IFRS 9 – Financial Instruments (“IFRS 9”) with a date of initial application as of January 1, 2018. The Company retrospectively adopted the standard and elected not to restate comparative information. There were no material changes in the measurement and carrying values of the Company’s financial instruments as a result of the adoption. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”); or fair value through profit or loss (“FVTPL”). IFRS 9 eliminates the previous IAS 39 categories of ‘held to maturity investments, loans and receivables and other financial liabilities’ and ‘available for sale financial assets’. The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and the nature of its contractual cash flow characteristics. Embedded derivatives are not separated if the host contract is a financial asset within the scope of IFRS 9; the entire hybrid contract is assessed for classification and measurement.

IFRS 9 replaces the ‘incurred credit loss model’ in IAS 39 with an ‘expected credit loss’ model. The new impairment model applies to financial assets measured at amortized cost, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract. Under IFRS 9, credit losses are recognized earlier than under IAS 39; it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at December 31, 2017 for each class of the Company’s financial assets and financial liabilities. The Company has no contract assets or financial instruments measured at FVTOCI.

Financial Instrument	Measurement Category	
	IAS 39	IFRS 9
Cash	Loans and Receivables	Amortized Cost
Receivables	Loans and Receivables	Amortized Cost
Trade Payables and Accrued Liabilities	Other Financial Liabilities	Amortized Cost
Short Term Loan	Other Financial Liabilities	Amortized Cost
Due to Related Parties	Other Financial Liabilities	Amortized Cost

Notes to the Consolidated Financial Statements
For the year ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

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

Financial Instruments Policy

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

Receivables

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

Measurement

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

Amortized cost

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

Fair value through other comprehensive income ("FVTOCI")

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

Fair value through profit or loss ("FVTPL")

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

Notes to the Consolidated Financial Statements
For the year ended December 31, 2018 and 2017
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2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

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

Exploration and evaluation expenditures

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

Mineral interests are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed the recoverable amount. Where there is evidence of impairment, the net carrying amount of the asset will be written down to its recoverable amount.

Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into (i) a flow-through share premium, equal to the estimated premium, if any; investors pay for the flow-through feature, which is recognized as a liability, and (ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

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

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

Income Taxes

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

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

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

and differences relating to investments in subsidiary to the extent that they will probably not reverse in the foreseeable future.

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

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

Loss Per Share

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

Property and equipment

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

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

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. The Company currently has one CGU – its Alberta Lithium Project.

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

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

Amortization is calculated at the following rates and basis:

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

Impairment of long-lived assets

The Company assesses at each reporting date whether there are indications of impairment of the CGU it has identified. If indications of impairment exist, the Corporation estimates the asset's recoverable amount, which is the higher of an asset's or CGU's fair value less costs of disposal and its value-in-use.

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

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

Share-based payment transactions

The Company operates an equity-settled compensation plan under which it receives services from employees, directors, officers, and contractors as consideration for equity instruments of the Company.

The Company uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

When recognizing the fair value of each tranche over its respective vesting period, the Company incorporates an estimate of the number of options expected to vest and revises that estimate when subsequent information indicates that the number of options expected to vest differs from previous estimates.

No expense is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Upon the exercise of options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

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

Government grants

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

Share capital

The Company records proceeds from share issuances net of share issue costs. Proceeds and issue costs from unit placements are allocated between shares and warrants issued according to their residual value. The residual value is attributed to the value of the warrants. The value of the share component and warrant is credited to share capital with any residual value attributed to the warrant. Upon exercise of the warrant, consideration paid by the warrant holder together with the amount previously recognized is recorded as an increase to share capital.

Contributed Surplus

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

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

Revenue from contracts with customers

The Company early adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") on January 1, 2018. The Company currently had no contract with customers or revenue in the current or comparative periods. IFRS 15 has had no impact on the financial statements.

Adoption of new accounting standards

The IASB has issued new standards to come into effect in future periods. The Company is currently assessing the impact of the new standards on its financial statements, but at this time does not anticipate that the adoption of the standards will have a significant impact on the Company's financial statements.

The new IFRS pronouncements which have been issued but are not yet effective and may have an impact on the Company in the future are as follows:

IFRS 16 - Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor') and replaces the previous leases standard, IAS 17 Leases. IFRS 16 is effective for annual reporting periods

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

beginning on or after January 1, 2019. The Corporation is evaluating the impact of IFRS 16 on its consolidated financial statements and does not expect material (or significant) changes.

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

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)

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3. ACQUISITION (cont'd)

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 9)	\$	1,328,653

4. RECOVERY OF VALUE ADDED TAX ("VAT")

During the year ended December 31, 2017, The Company's Mexican subsidiary, MAU Mexico, received VAT recovery of approximately \$301,512 (MXN 4,391,046) on expenses paid in 2011 and 2012, when the company conducted exploration activities on the Durango-Zacatecas properties. The VAT recoverable amount was written off by the Company in fiscal 2013 due to uncertainty of collectability. The Company reversed the previously recognized impairment loss related to the VAT recoverable as VAT recovery in the statement of comprehensive loss for 2017.

Upon receipt of the refund, MAU Mexico paid an aggregate of \$166,398 in professional and consulting fees, including legal and accounting fees that were incurred in connection with the VAT refund claim. The remaining balance of VAT refund of \$123,320 net of foreign currency fluctuation amount of \$11,794 was paid back to the Company as a partial repayment of intercompany loans.

5. RECEIVABLES

Receivables consist of Goods and Services Tax ("GST") recoverable by the Company and its subsidiary on expenditures made and government grants invoiced for work completed pursuant to the funding agreement. All amounts are current and are expected to be recoverable subsequent to year end.

6. 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 December 31, 2018	\$ 20,680	\$ 2,760	\$ 26,300	\$ 14,768	\$ 64,508

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6. 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	8,081	497	13,150	2,492	24,220
At December 31, 2018	\$ 13,402	\$ 773	\$ 26,300	\$ 4,800	\$ 45,275
Net book value:					
At December 31, 2017	\$ 14,028	\$ 2,484	\$ 13,150	\$ –	\$ 29,662
At December 31, 2018	\$ 7,278	\$ 1,987	\$ –	\$ 9,968	\$ 19,233

Amortization of software licenses includes \$12,306 of geological software licenses (2017 - \$12,306) that are used for exploration activities have been capitalized to exploration and evaluation assets (Note 9). Amortization of the remaining items of \$11,914 (2017- \$6,813) have been expensed.

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2018	December 31, 2017
Trade payables	\$ 52,459	\$ 96,658
Exploration payables	25,617	73,586
Accrued liabilities	17,807	20,000
	\$ 95,883	\$ 190,244

8. FLOW-THROUGH PREMIUM LIABILITY

	December 31, 2018	December 31, 2017
Balance, beginning of period	\$ 71,029	\$ –
Added :		
August 2017 private placement (Note 10(xi))	–	73,866
December 2017 private placement (Note 10(xii))	–	28,571
Amortization of flow-through premium liability	(71,029)	(31,408)
Balance, end of period	\$ –	\$ 71,029

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8. FLOW-THROUGH PREMIUM LIABILITY (cont'd)

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 the "general" and "look back" rules. The Company incurred \$543,700 of Qualifying CEE by December 31, 2018 with respect to the flow-through shares previously issued.

The flow-through premium liability does not represent a cash liability to the Company and was fully amortized to the statement of comprehensive loss.

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 December 31, 2018 the Company accrued a FT Tax of \$963 (December 31, 2017 – Nil) with respect to its 2017 flow-through applications.

9. EXPLORATION AND EVALUATION ASSETS

Pursuant to the 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 year ending December 31, 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 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.

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9. EXPLORATION AND EVALUATION ASSETS (cont'd)

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 term sheet, the Company acquired (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 10).

The following table summarizes the Company's exploration and evaluation asset expenditures in its Alberta Petro-Lithium Project as at December 31, 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 10)		140,000
Permitting and other acquisition costs		485
Balance December 31, 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
Amortization of licenses (Note 6)		12,306
Geologic software licenses		15,936
Environmental consulting		9,113
Geochemistry analysis		44,967
Geological and geochemistry consulting		206,055
Metallurgical assessments		2,700
Capitalized expenses		161,469
Other		14,943
Balance, December 31, 2018	\$	862,067
Total, December 31, 2017	\$	1,903,102
Total, December 31, 2018	\$	2,511,076

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10. SHARE CAPITAL

Authorized share capital

Unlimited common shares with no par value.

Issued and outstanding

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

- (i) On August 20, 2018, the Company completed a non-brokered private through which the Company issued 3,232,500 units of the Company at a price of \$0.40 per unit for gross proceeds of \$1,293,000. Each unit comprised of one common share of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share with an exercise price of \$0.40 for a period of 4 months following the date of issuance, and an exercise price of \$0.60 thereafter. All common share purchase warrants expire on August 20, 2019. The common share purchase warrants were recorded at the residual value of \$226,275. The Company also incurred \$20,325 in cash commissions and issued 67,750 broker warrants on the same terms as the common share purchase warrants to certain brokers in connection with this private placement. The broker warrants were recorded at a fair value of \$4,705. The fair value of the broker warrants was calculated using the following inputs: stock price – \$0.33, exercise price – \$0.60, volatility – 98.04%, discount rate – 1.9%.
- (ii) The Company issued 350,000 common shares valued at \$140,000 or \$0.40 per common share for the acquisition of 3 MIM permits in the Exshaw Project Area from Fathom (Note 8). 150,000 of these shares are subject to an escrow restriction until February 23, 2019;
- (iii) The Company issued 335,000 common shares pursuant to the exercise of 335,000 share purchase warrants at a price of \$0.40 per share for gross proceeds of \$134,000, of which \$20,000 was received on December 31, 2017 and recorded in common stock subscribed. These warrants were issued under the April 2017 private placement and were subject to an acceleration provision. The Company exercised the acceleration provision right after its common shares traded on the TSX-V at a price of \$0.80 or more for 20 consecutive days and issued a notice to warrant holders to accelerate the expiry date of the warrants to January 5, 2018. 110,000 warrants from the April 10, 2017 grant expired unexercised on January 5, 2018;
- (iv) The Company issued 25,000 common shares pursuant to the exercise of 25,000 share purchase warrants by an officer of the Company at \$0.30 per share for gross proceeds of \$7,500.
- (v) On December 7, 2018, the Company issued 72,093 common shares to an arm's length service provider at a deemed price of \$0.43 per common share to settle outstanding debt of \$31,000. The Company recorded a gain on settlement of debt of \$7,930 for the transaction.

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10. SHARE CAPITAL (cont'd)

Issued and outstanding (cont'd)

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

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

- (vii) 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;
- (viii) 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;
- (ix) 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 consisted 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;

- (x) 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;

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10. SHARE CAPITAL (cont'd)

Issued and outstanding (cont'd)

- (xi) 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 expired unexercised;

- (xii) 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.

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;

- (xiii) 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 contributed surplus 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 in 2018.

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10. SHARE CAPITAL (cont'd)

Escrow Shares

Under certain escrow agreements dated May 30, 2017, 6,000,000 shares issued to the former shareholders of the Alberta Co. were placed in escrow. 10% of the escrowed common shares were released from escrow on the date of the closing of the Transaction (the "Initial Release") and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months. As at December 31, 2018, a total of 2,900,000 (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 escrow restriction until February 23, 2019.

Share Purchase Warrants

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

	December 31, 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
Issued in connection with the private placement	307,500	0.60	–	–
Broker warrants	67,750	0.60	–	–
Finders' warrants	10,000	0.60	289,230	0.46
Exercised	(310,000)	0.39	(1,181,650)	0.40
Expired	(182,100)	0.40	–	–
Expired	(131,866)	0.50	–	–
Warrants, end of period	4,273,150	\$ 0.55	1,279,366	\$ 0.40

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10. SHARE CAPITAL (cont'd)

Share Purchase Warrants (cont'd)

The share purchase warrants outstanding and exercisable as at December 31, 2018:

Grant date	Number of warrants outstanding	Exercise price	Expiry date	Weighted average life of warrants (years)	Number of warrants exercisable
December 29, 2017	80,400	\$ 1.00	June 29, 2019	0.49	80,400
May 30, 2017	575,000	\$ 0.30	April 19, 2020	1.30	575,000
August 20, 2018	3,232,500	\$ 0.40	August 20, 2019	0.64	3,232,500
August 20, 2018	67,750	\$ 0.40	August 20, 2019	0.64	67,750
December 19, 2018	307,500	\$ 0.60	June 18, 2020	1.47	307,500
December 19, 2018	10,000	\$ 0.60	June 18, 2020	1.47	10,000
	4,273,150	\$ 0.55		0.80	4,273,150

Stock options

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

	December 31, 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	815,000	\$ 0.40	1,095,000	0.64
Expired	(25,000)	\$ 0.68	–	–
Options outstanding, end of period	1,885,000	\$ 0.55	1,095,000	\$ 0.64

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10. SHARE CAPITAL (cont'd)

Stock Options (cont'd)

The share options outstanding and exercisable as at December 31, 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	595,000
August 21, 2018	640,000	\$ 0.40	August 21, 2021	91,250
December 27, 2018	175,000	\$ 0.40	December 27, 2021	87,500
	1,885,000			1,248,750

The weighted average life of options outstanding is 1.60 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.

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

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

	August 21, 2018	December 27, 2018
Risk-free interest rate	2.12%	1.91%
Expected stock price volatility	102%	125%
Expected life	3 years	3 years
Expected dividend yield	-	-
Fair value per option granted	\$0.21	\$0.23
Forfeiture rate	0%	0%

During the year ended December 31, 2018, the Company recorded \$180,532 (2017 - \$525,399) in share-based compensation expense for the options granted and vested during the period.

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11. RELATED PARTY TRANSACTIONS

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

During the year ended December 31, 2018 and 2017, the remuneration of the key management personnel was as follows:

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

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

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

During the year ended December 31, 2018, the Company paid \$Nil (2017 - \$3,000) for management fees and \$18,750 (2017 - \$6,000) for administrative fees to VCC.

- (ii) On May 30, 2017, the Company entered into employment agreements with the CEO and the VP of Project Development of the Company that ratify annual compensation of \$145,000 plus benefits for each individual. During the year ended December 31, 2018, the Company paid gross management salaries of \$301,600 (2017 - \$184,714) pursuant to these agreements.
- (iii) On May 10, 2018, the Company entered into an agreement with The CFO Centre Limited to provide part-time CFO services on a contract basis. For the year ended December 31, 2018, the Company paid \$30,150 (2017 - \$Nil) in consulting fees.

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

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11. RELATED PARTY TRANSACTIONS (cont'd)

- (iv) The Company recognised \$33,524 of share-based compensation in 2018 (2017 – \$154,814) on the vested portion of stock options granted to directors and officers.
- (v) At December 31, 2018, a total of \$22,465 (December 31, 2017 - \$9,633) was due to officers of the Company or their related affiliates for reimbursement of travel, project-related expenses and consulting fees. The amounts were paid subsequent to December 31, 2018.

During the year ended December 31, 2018, 25,000 share purchase warrants were exercised by the VP of Project Development at \$0.30 per share for gross proceeds of \$7,500. These warrants were issued under the terms of the Acquisition (Note 3 and 10(iii)).

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for year ended December 31, 2018 and 2017 included:

- Fair value of shares issued for acquisitions of mineral properties of \$140,000 (2017 - \$1,200,000) (Note 3);
- Fair value of warrants issued for acquisitions of mineral properties of \$nil (2017 - \$93,333) (Note 3);
- 72,093 common shares were issued at a value of \$0.43 per share in exchange for settling debt of \$31,000. (Note 10(v))

13. FINANCIAL RISK AND CAPITAL MANAGEMENT

As at December 31, 2018, the Company's financial instruments include cash, receivables, trade payables, short-term loan, and due to related parties. Their carrying values approximate their fair values due to their short terms to maturity.

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and receivables. The Company minimizes its exposure to credit risk by placing its cash with a Canadian Chartered bank. While there is concentration of risk by holding all funds with one institution, management assesses credit risk of cash as low due to the high credit quality rating the institution has with the rating agencies. As at December 31, 2018, the Company had cash of \$347,547 (December 31, 2017 - \$608,428).

The Company's secondary exposure to credit risk is on its receivable balance. This risk is minimal as receivables consist of refundable government sales taxes of \$14,092 (December 31, 2017 - \$37,132) as well as grants receivable from government agencies of \$10,000 (December 31, 2017 - \$nil).

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

Currency risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The fair value of the Company's financial instruments is relatively unaffected by changes in interest rates. The Company is exposed to interest rate risk on its bank deposit, which earns interest at a variable rate. Based on the cash balance at December 31, 2018, the effect of a 10% fluctuation in interest rates would not be material.

Liquidity and funding risk

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

As at December 31, 2018, the Company had a working capital (excluding the flow-through premium liability) of \$258,553 (December 31, 2017 - \$464,540). As at December 31, 2018, the Company had a cash balance of \$347,547 (2017 - \$608,428), which is sufficient to pay its current cash liabilities of \$122,501 (2017 - \$270,906) and to continue operations in the short-term. The Company will need to secure additional funding to continue operations to finalize its technology development and confirm economic feasibility of recover of lithium.

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

Capital Management

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

There were no changes in the Company's approach to capital management during the year ended December 31, 2018. The Company is not subject to any externally imposed capital requirements.

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

During the year ended December 31, 2018, the Company received a grant approval for of \$56,000 in funding from the National Research Council's Industrial Research Assistance Program (IRAP), a federal funding agency, to assist in the development work at the National Research Institute to support the development and scaling of the Company's concentration technology. During the year ended, December 31, 2018, the Company received funding of \$40,000 from IRAP toward the salaries of an intermediate chemical process engineer and a junior geologist. The grant was paid over a six-month period. The balance of the grant will be paid to the Company as it incurs qualifying salaries in 2019.

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

The Company also received grant approval of \$100,000 from Alberta Innovates ("AI"), an Alberta provincial funding agency, to assist in the technology development work at Green Center Canada. The funding will continue to support the development and scaling of the Company's concentration technology towards commercialization. The company invoiced AI for \$10,000 in 2018.

13. INCOME TAX EXPENSE DEFERRED TAX ASSETS AND LIABILITIES

December 31	2018	2017
Loss for the year before income taxes	\$ (1,450,516)	\$ (1,198,103)
Combined statutory tax rates	27%	27%
Computed tax recovery	(391,639)	(323,488)
Increase resulting from:		
Share-based compensation	48,744	141,858
Non-deductible expenses and Other	50,502	47,505
Deferred tax assets not recognized	292,393	134,125
Income tax expense (recovery)	\$ -	\$ -

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

December 31	2018	2017
Exploration and evaluation assets	\$ 511,402	\$ 511,402
Share issuance costs	111,017	106,607
Investment tax credits	880,752	880,752
Non-capital loss carry-forwards	7,120,810	6,042,281
	\$ 8,623,981	\$ 7,541,042

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

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

December 31	2018	2017
Exploration and evaluation assets	\$ (230,867)	\$ (130,251)
Non-capital loss carry-forwards	230,867	130,251
	<u>\$ -</u>	<u>\$ -</u>

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

	Canadian loss carry-forwards	Mexican loss carry-forwards	Investment tax credits
2019	\$ -	\$ -	\$ 200,745
2020	-	-	276,113
2021	-	1,128,086	46,200
2022	-	810,368	117,272
2023	-	343,458	240,422
2024	-	35,994	-
2025	-	17,151	-
2026	213,426	-	-
2027	308,423	-	-
2028	212,794	-	-
2029	187,351	-	-
2030	220,183	-	-
2031	595,458	-	-
2032	350,213	-	-
2033	245,439	-	-
2034	237,171	-	-
2035	195,527	-	-
2036	144,279	-	-
2037	1,048,512	-	-
2038	1,681,795	-	-
No expiry	-	242	-
	<u>\$ 5,640,572</u>	<u>\$ 2,335,299</u>	<u>\$ 880,752</u>

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14. COMMITMENTS

Office rent

The Company's has leased office space requiring monthly payments of \$5,687 per month. The lease expires on May 31, 2022.

MIM Permits

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

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

The Company is currently in the first two-year period on all its MIM Permits and will need to incur expenses of approximately \$1.8 million during 2019 and \$34,000 during 2020. As disclosed in Note 9, the Company holds permits over 593,165 hectares.

15. SUBSEQUENT EVENTS

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