



Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2019 and 2018

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 29, 2019

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

	Notes	September 30, 2019 (unaudited)	December 31, 2018 (audited)
Assets			
Current assets:			
Cash	2	\$ 109,487	\$ 347,547
Receivables	4	67,592	24,092
Prepaid expenses		20,381	9,415
		197,460	381,054
Property and equipment	5	14,699	19,233
Right-of-use asset	6	67,851	–
Exploration and evaluation assets	10	2,511,076	2,511,076
Intellectual property	10	247,138	–
Investment in joint venture	11	66	–
		\$ 3,038,290	\$ 2,911,363
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade payables and accrued liabilities	7	\$ 297,048	\$ 95,883
Due to related parties	13	21,663	22,465
Lease liability	9	25,964	–
Short-term loan		–	4,153
		344,675	122,501
Long-term liabilities			
Lease liability	9	48,150	–
		392,825	122,501
Shareholders' equity:			
Share capital	12	19,463,599	18,101,271
Contributed surplus		2,661,153	2,309,094
Foreign currency reserve	12	(75,370)	(75,370)
Deficit		(19,403,917)	(17,546,133)
		2,645,465	2,788,862
		\$ 3,038,290	\$ 2,911,363

Nature and continuance of operations (Note 1)

Subsequent events (Note 16)

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		Contributed Surplus	Foreign Currency Reserve	Common stock subscribed	Deficit	Total Equity (Deficiency)
		Number of Shares	Amount					
Balance, January 1, 2019		21,002,002	\$ 18,101,271	\$ 2,309,094	\$ (75,370)	–	\$ (17,546,133)	\$ 2,788,862
Shares issued, net of issue costs	12	3,971,984	1,346,652	–	–	–	–	1,346,652
Options exercised	12	100,000	40,000	–	–	–	–	40,000
Finders warrants issued	12	–	(19,511)	19,511	–	–	–	–
Warrant extension	12	–	(4,813)	4,813	–	–	–	–
Share-based compensation	12	–	–	327,735	–	–	–	327,735
Prior year adjustment	6	–	–	–	–	–	(5,339)	(5,339)
Comprehensive loss for the period		–	–	–	–	–	(1,852,445)	(1,852,445)
Balance, September 30, 2019		25,073,986	\$ 19,463,599	\$ 2,661,153	\$ (75,370)	–	\$ (19,403,917)	\$ 2,645,465
Balance, January 1, 2018		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, 2019 and 2018
(Expressed in Canadian Dollars– Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
Expenses:					
Wages and benefits		135,136	\$ 122,298	367,777	\$ 373,397
Consulting fees		65,889	109,765	360,177	188,956
Professional fees		183,830	29,777	254,828	75,742
Marketing expenses		205,131	133,045	299,707	242,990
Share-based compensation	12	92,552	27,161	327,735	48,039
General and administrative		37,393	56,460	115,333	143,708
Travel expenses		8,853	7,719	47,782	40,301
Regulatory and transfer agent fees		21,638	9,895	48,379	23,449
Interest on lease liability	9	1,514	–	4,904	–
Amortization	5,6	8,625	3,224	24,746	9,023
Research and development		–	–	–	3,184
Net loss for the period		(760,561)	(499,344)	(1,851,368)	(1,148,789)
Amortization of flow-through premium liability		–	23,338	–	58,733
Foreign exchange loss		(1,682)	–	(1,077)	–
Comprehensive income (loss) for the period		\$ (762,243)	\$ (476,006)	\$(1,852,445)	\$(1,090,056)
Loss per common share					
-Basic and diluted		\$ (0.03)	\$ (0.03)	\$ (0.08)	\$ (0.06)
Weighted average number of common shares outstanding –Basic and diluted		25,060,943	18,830,479	23,573,266	17,798,306

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, 2019 and 2018
(Expressed in Canadian Dollars -Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cash provided by (used in):				
Operating:				
Net income (loss) for the period	\$ (760,561)	\$(476,007)	\$ (1,851,368)	\$(1,090,056)
Items not affecting cash				
Amortization	8,625	3,027	24,746	7,895
Amortization of flow-through premium liability	-	(23,338)	-	(58,733)
Share-based compensation	92,552	27,162	327,735	48,039
Interest on lease liability	1,514	-	4,904	-
Change in non-cash working capital:				
Receivables	(50,224)	10,648	(43,500)	21,983
Prepays	(16,310)	(122,637)	(10,966)	(110,384)
Trade payables and accrued liabilities	139,867	(69,561)	206,713	(83,751)
Due to related parties	4,141	(17,318)	(6,351)	6,975
Net cash used in operating activities	(580,396)	(668,024)	(1,348,087)	(1,258,032)
Investing:				
Investment in Joint Venture	(66)	-	(66)	-
Intellectual Property	(35,971)	(54,191)	(247,138)	(168,027)
Property and equipment	(1,128)	(63)	(1,128)	(13,791)
Short-term loan repayments	-	(3,115)	(4,153)	7,268
Lease liability	(7,688)	-	(23,063)	-
Net cash used in investing activities	(44,853)	(57,369)	(275,548)	(174,550)
Financing:				
Proceeds from private placements (net)	-	1,272,675	1,346,652	1,272,675
Common stock subscribed	-	(45,000)	-	-
Exercise of warrants	-	-	-	121,500
Exercise of stock options	40,000	-	40,000	-
Net cash from financing activities	40,000	1,227,675	1,386,652	1,394,175
Foreign exchange loss	(1,682)	(1)	(1,077)	48
Change of cash during the period	(586,931)	502,281	(238,060)	(38,359)
Cash, beginning of the period	696,418	67,788	347,547	608,428
Cash, end of the period	\$ 109,487	\$ 570,069	\$ 109,487	\$ 570,069

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

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2019 and 2018
(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 205, 227 10 St NW, Calgary, Alberta, T2N 1V5. The registered and records office is Suite 400-725 Granville Street, Vancouver, BC, V7Y 1G5.

E3 Metals is a resource company with mineral properties in Alberta that is currently focused on technology development for lithium extraction from brines underlying existing oil reservoirs. The Company has not yet determined whether its properties contain reserves that are economically recoverable. The recoverability of amounts spent for mineral properties is dependent upon the completion of a lithium extraction technology which would result in economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the extraction technology and development of its properties, and upon future profitable lithium production.

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 in existence.

As at September 30, 2019, the Company has not generated any revenues from operations and has an accumulated deficit of \$19,403,917 (December 31, 2018 - \$17,546,133) including a net loss of \$1,851,368 (2018 - \$1,148,789) incurred during the nine months ended September 30, 2019.

The Company expects to incur further losses in the development of its business, which casts significant doubt about the Company’s ability to continue as a going concern. The Company has capital requirements in excess of its currently available resources. The Company will require additional financing to continue operations during Q4 2019, through 202 and beyond. There can be no assurance that such financing will be available or, if available, that it will be available on reasonable terms.

2. CASH

Included in the cash balance is \$28,750 in restricted cash which is being held as security against a credit card issued to the Company.

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were approved for issue by the directors of the Company on November 29, 2019.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2019 and 2018
(Expressed in Canadian Dollars – Unaudited)

3. 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 year ended December 31, 2018 and the unaudited condensed interim consolidated financial statements dated September 30, 2018. 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, 2018, except as described below in *Changes in Accounting Policies*.

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, 2019	December 31, 2018
1975293 Alberta Ltd.	Canada	100%	100%
Mexigold Resources SA de CV (“MAU Mexico”)	Mexico	100%⁽¹⁾	100%⁽¹⁾
2216747 Alberta Ltd. (see Note 11)	Canada	50%	-

(1) E3 Metals owns 99% and 0904254 BC owns 1% of MAU Mexico, which is an inactive company. 0904254 BC Ltd was dissolved in 2018.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2019 and 2018
(Expressed in Canadian Dollars – Unaudited)

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

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

Significant estimates and assumptions

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

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include: the useful life of property and equipment; the recoverability of the carrying value of exploration and evaluation assets; fair value measurements for financial instruments; the valuation of right-of-use assets; the valuation of lease liabilities; and the recoverability and measurement of deferred tax assets.

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 discount rate used to in the valuation of the right-of use asset and lease liability;
- the classification of financial instruments; and
- the determination of the functional currency of the Company and its subsidiaries.

Significant Accounting Policies

These condensed consolidated interim financial statements follow the same accounting principles and methods of application of those disclosed in Note 2 of the Company's audited consolidated financial statements as at and for the year ended December 31, 2018, with the exception of "Leases" policy which is amended as outlined below.

Changes in Accounting Policies

On January 1, 2019, the Company adopted the new IASB Lease Standard IFRS 16 - Leases. IFRS 16 requires that former operating leases be capitalized and recognized on the consolidated balance sheet by the lessee. Lease assets and liabilities are initially measured at the present value of the unavoidable lease payments and amortized over the lease term. The Company adopted IFRS 16 using a modified retrospective approach (see Note 6). The modified retrospective approach does not require restatement of prior period financial information and recognizes the cumulative effect of IFRS 16 prior

Notes to the Condensed Consolidated Interim Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Changes in Accounting Policies (cont'd)

to January 1, 2019 as an adjustment to the opening retained deficit and applies the standard prospectively. On adoption, the Company also elected to apply the following methods as permitted under the standard:

- Leases with terms ending within 12 months are recognized as short-term leases.
- Short-term leases and leases of low value assets that have been identified are not recognized on the consolidated statement of financial position. Expenses for these leases are recognized as incurred with the amounts disclosed in the notes to the consolidated financial statements.
- The provision for leases previously recognized was applied to the value of the associated right-of-use asset. In this case, no impairment assessment was performed under IAS 36 Impairment.

4. RECEIVABLES

Receivables consist primarily of GST input tax credits and government grants due to the Company. The Company expects to realize on all outstanding receivables during the current fiscal period.

5. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture	Software Licenses	Leasehold Improvements	Total
Cost:					
At December 31, 2018	\$ 20,680	\$ 2,760	\$ 26,300	\$ 14,768	\$ 64,508
Additions	–	–	1,128	–	1,128
At September 30, 2019	\$ 20,680	\$ 2,760	\$ 27,428	\$ 14,768	\$ 65,636
Amortization:					
At December 31, 2018	\$ 13,402	\$ 773	\$ 26,300	\$ 4,800	\$ 45,275
Amortization	2,961	294	564	1,843	5,662
At September 30, 2019	\$ 16,363	\$ 1,067	\$ 26,864	\$ 6,643	\$ 50,937
Net book value:					
At December 31, 2018	\$ 7,278	\$ 1,987	\$ –	\$ 9,968	\$ 19,233
At September 30, 2019	\$ 4,317	\$ 1,693	\$ 564	\$ 8,125	\$ 14,699

Notes to the Condensed Consolidated Interim Financial Statements
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6. RIGHT-OF-USE ASSETS

At December 31, 2018	\$ -
Classification of right-of-use asset	127,221
Previously recognized amortization of asset	(40,287)
Current year amortization	(19,083)
At September 30, 2019	\$ 67,851

Upon adoption of IFRS 16, the Company recognized a right-of-use asset of \$127,221 relating to its head office lease. The asset was measured at the present value of the remaining lease payments using the Company's commercial borrowing rate of 8% on its short-term loan. The Company netted the previously recognized office lease provision of \$40,287 against the associated right-of use asset on January 1, 2019. An adjustment to the opening retained deficit of \$5,339 was recognized as a result of using the modified retrospective approach.

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2019	December 31, 2018
Exploration and evaluation payables	\$ 63,119	\$ 52,459
Trade payables	255,592	43,424
	\$ 318,711	\$ 95,883

8. FLOW-THROUGH PREMIUM LIABILITY

	September 30, 2019	December 31, 2018
Balance, beginning of period	\$ -	\$ 52,459
Amortization of flow-through premium liability	-	43,424
Balance, end of period	\$ -	\$ 95,883

Notes to the Condensed Consolidated Interim Financial Statements
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 (Expressed in Canadian Dollars – Unaudited)

9. LEASE LIABILITIES

Upon adoption of IFRS 16, the Company recognized a lease liability of \$121,992 within current and long-term liabilities relating to its head office lease. The liability was measured at the present value of the remaining lease payments using the Company's commercial borrowing rate of 8% on its short-term loan. The Company netted the previously recognized office lease provision of \$29,718 against the associated right-of use asset on January 1, 2019.

Liability:	
At December 31, 2018	\$ -
Classification of initial liability	121,992
Previously recognized office lease provision	(29,718)
Current office lease provision	(18,160)
At September 30, 2019	\$ 74,114

As at September 30, 2019, \$25,964 of the lease liability is due within 12 months.

10. EXPLORATION AND EVALUATION ASSETS

Alberta Lithium Project

The Company's properties are currently comprised of 78 MIM Permits, which includes the rights for lithium, totaling 596,087 hectares (5,961 square kilometers) that can be further sub-divided into five separate sub-properties, or groups of contiguous permits:

- Clearwater Sub-Property: 18 contiguous permits totaling 157,305 hectares;
- Exshaw Sub-Property: 19 contiguous permits totaling 142,285 hectares;
- Rocky Sub-Property: 29 contiguous permits totaling 225,309 hectares;
- Sunbreaker Sub-Property: 2 contiguous permits totaling 15,678 hectares; and
- Drumheller Sub-Property: 8 contiguous permits totaling 55,511 hectares.

Clearwater

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.

Notes to the Condensed Consolidated Interim Financial Statements
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10. 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 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:

- \$35,000 (paid); and
- 350,000 common shares of the Company (issued in 2018 following TSX Venture Exchange approval).

The following table summarizes the Company’s exploration and evaluation asset expenditures to September 30, 2019:

Alberta Lithium Project	
Acquisition Costs:	
Balance December 31, 2018	\$ 1,649,009
Balance September 30, 2019	\$ 1,649,009
Exploration Costs:	
Balance, December 31, 2018	\$ 862,067
Research and development consulting	185,279
Government grants received	(61,542)
Geological Consulting	60,809
Geochemistry analysis	11,893
Capitalized expenses	50,699
	1,109,205
Transfer to Intellectual Property	(247,138)
Balance, September 30, 2019	\$ 862,067
Total, December 31, 2018	\$ 2,511,076
Total, September 30, 2019	\$ 2,511,076

On September 17, 2019, the Company entered into a Unanimous Shareholders Agreement (“USA”) with a wholly owned subsidiary of Livent Corporation (“Livent”) pursuant to which 2216747 Alberta Ltd. was incorporated (“Devco”). Under the terms of the USA, the Company granted a perpetual, exclusive, royalty-free intellectual property license to Devco. The fair value of the license granted to Devco was deemed to be E3’s costs incurred from the date that a provisional US patent was issued in December 2018. This amount was reclassified from Exploration and Evaluation Assets to Intellectual Property, an intangible asset.

Notes to the Condensed Consolidated Interim Financial Statements
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(Expressed in Canadian Dollars – Unaudited)

11. INVESTMENT IN JOINT VENTURE

Under the terms of the USA entered into with Livent, E3 purchased fifty (50) common shares of Devco for US \$50 (CDN \$66), representing a 50% ownership of the company. In addition, E3 granted Devco a perpetual, exclusive, royalty-free intellectual property license. The Company's intellectual property consists of its proprietary Ion-Exchange technology. E3 has also committed the time of three of its employees to Devco to work with employees from Livent to complete the Direct Lithium Extraction process.

In accordance with IFRS 11 – Joint Arrangements, the Company's investment is considered a joint venture since it has joint control of the arrangement with Livent. As a result, the Equity Method (IAS 28) is used to account for the Company's ownership interest in Devco.

	Investment in Joint Venture
Balance at January 1, 2019	\$ –
Purchase of common shares	66
Balance at September 30, 2019	\$ 66

Pursuant to the USA, Livent also purchased fifty (50) common shares of Devco for US \$50 (CDN \$66) and contributed a perpetual, exclusive, royalty-free intellectual property license for its relevant intellectual property. On October 12, 2019, Livent also contributed US \$1.5 million to Devco which will be used to pay Devco expenses.

12. SHARE CAPITAL

Authorized share capital

Unlimited common shares with no par value.

Issued and outstanding

	Number of Shares
Balance at January 1, 2019	21,002,002
Shares issued by private placement during the period	3,971,984
Shares issued on the exercise of stock options during the period	100,000
Balance at September 30, 2019	25,073,986

Share capital transactions during the nine months ended September 30, 2019 were as follows:

On April 4, 2019, the Company completed a non-brokered private placement of 3,971,984 units at a price of \$0.35 per unit for aggregate gross proceeds of \$1,390,194. Each unit consisted of one common share of the Company and one-half of one transferable common share purchase warrant, with each full warrant entitling the holder thereof to acquire one additional common share at a price of \$0.45 until April 4, 2021. In connection with the private placement, the Company paid cash-based finders' fee of

Notes to the Condensed Consolidated Interim Financial Statements
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12. SHARE CAPITAL (cont'd)

Issued and outstanding (con'd)

\$43,542 and issued 124,404 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 \$0.45 until April 4, 2021. The finder's warrants were recorded at a fair value of \$19,511.

On July 12, 2019 100,000 options were exercised at a price of \$0.40 per share in exchange for 100,000 common shares for gross proceeds of \$40,000.

Escrow Shares

Under 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, 2019, a total of 1,800,000 (December 31, 2018 – 2,700,000) common shares were held in escrow.

Share Purchase Warrants

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

	Number of warrants
Balance at December 31, 2018	4,273,150
Common warrants issued	1,985,992
Finders' warrants issued	124,404
Common warrants expired	(3,304,286)
Finders' warrants expired	(76,364)
Balance at September 30, 2019	3,002,896

The following table summarises the share purchase warrants outstanding and exercisable as at September 30, 2019:

Grant date	Number of warrants outstanding	Exercise price	Expiry date	Weighted average life of warrants (years)	Number of warrants exercisable
May 30, 2017	575,000	\$ 0.30	April 19, 2020	0.55	575,000
December 19, 2018	307,500	\$ 0.60	June 18, 2020	0.74	307,500
December 19, 2018	10,000	\$ 0.60	June 18, 2020	0.74	10,000
April 4, 2019	1,985,992	\$ 0.45	April 4, 2021	1.51	1,985,992
April 4, 2019	124,404	\$ 0.45	April 4, 2021	1.51	124,404
	3,002,896	\$ 0.42		1.26	3,002,896

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(Expressed in Canadian Dollars – Unaudited)

12. SHARE CAPITAL (cont'd)

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 as of September 30, 2019 fully vest over various time periods of up to 18 months from the date of grant.

	Number of Options
Balance at December 31, 2018	1,885,000
Issued	1,025,000
Exercised	(100,000)
Expired	(400,000)
Balance at September 30, 2019	2,410,000

The share options outstanding and exercisable as at September 30, 2019:

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
November 7, 2017	595,000	\$ 0.40	November 7, 2019	595,000
August 21, 2018	540,000	\$ 0.40	August 21, 2021	498,334
December 27, 2018	175,000	\$ 0.40	December 27, 2021	175,000
January 22, 2019	150,000	\$ 0.40	January 22, 2024	150,000
May 31, 2019	475,000	\$ 0.43	May 31, 2022	475,000
July 10, 2019	300,000	\$ 0.43	July 10, 2021	300,000
September 11, 2019	100,000	\$ 0.50	September 11, 2022	–
	2,410,000			2,268,334

The weighted average life of options outstanding is 1.57 years (2018 – 1.73).

On January 22, 2019, the Company granted 150,000 stock options to a consultant of the Company. The stock options have an exercise price of \$0.40 and expire five years from the date of grant. The stock options vested on the date of issuance.

On May 31, 2019, the Company granted 475,000 stock options to a employees, advisors, directors, and consultants of the Company. The stock options have an exercise price of \$0.43 and expire two years from the date of grant. The stock options vested on the date of issuance.

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12. SHARE CAPITAL (cont'd)

Stock options (cont'd)

On July 10, 2019, the Company granted 300,000 stock options to advisors and a consultant of the Company. The stock options have an exercise price of \$0.43 and expire two years from the date of grant. The stock options vested on the date of issuance.

On September 11, 2019, the Company granted 100,000 stock options to consultants of the Company. The stock options have an exercise price of \$0.50 and expire three years from the date of grant. The stock options fully vest on September 11, 2020.

During the three and nine months ended September 30, 2019, the Company recorded \$92,553 and \$327,736 respectively (2018 – \$27,161 and \$48,039) in share-based compensation expense for the options granted and vested during the period.

Contributed Surplus and Foreign Currency Reserve

Contributed surplus records items recognized as share-based payments and the value of warrants issued until such time that the stock options and warrants are exercised, at which time the corresponding amount is transferred to share capital.

Foreign currency reserve recorded exchange differences arising from translation of the Company's Mexican subsidiary's results and financial position from their functional currencies into the presentation currency. The Company's Mexican subsidiary is not conducting operations and has no assets.

13. RELATED PARTY TRANSACTIONS

Key management personnel are individuals 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, 2019 and 2018, the remuneration to key management personnel was as follows:

Nine months ended September 30,	2019	2018
Management salaries and benefits (i)	\$ 233,933	\$ 226,200
Management fees (ii)	63,000	20,790
Share-based compensation (iii)	44,395	15,828
Total	\$ 341,328	\$ 262,818

- (i) In 2017, the Company entered into employment agreements (as amended) with the CEO and the VP Corporate Affairs and Exploration of the Company that ratify annual compensation of \$145,000 plus benefits for each individual. On April 1, 2019, the annual compensation for the CEO and VP of Project Development increased to \$152,250 plus benefits. During the nine months ended September 30, 2019, the Company paid gross management salaries and benefits of \$233,933 (2018 - \$226,200) pursuant to these agreements.

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13. RELATED PARTY TRANSACTIONS (cont'd)

- (ii) On May 10, 2018, the Company entered into an agreement with The CFO Centre Limited to provide part-time CFO services to the Company on a contract basis. For the nine months ended September 30, 2019, the Company paid \$63,000 (2018 - \$20,790) in fees pursuant to the agreement.
- (iii) The Company recognised share-based compensation of \$44,395 (2018 -\$15,828) on the vested portions of the stock options granted to the CEO, CFO and VP Corporate Affairs and Exploration of the Company for the nine months ended September 30, 2019.
- (iv) At September 30, 2019, a total of \$21,663 (December 31, 2018 - \$22,465) was due to directors and officers of the Company or their related companies for reimbursement of travel and project related expenses and consulting fees.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the nine months ended September 30, 2019 and 2018 included:

- Fair value of shares issued for acquisitions of mineral properties of \$nil (2018 - \$1,293,000);
- Fair value of shares issued for acquisitions of mineral properties of \$nil (2018 - \$140,000);
- Fair value of common share purchase warrants issued for acquisitions of mineral properties of \$nil (2018 - \$320,645);
- Fair value of broker warrants issued for acquisitions of mineral properties of \$nil (2018 - \$6,720); and
- Valuation of the right-of-use asset of \$67,851 (2018 - \$nil) and lease liabilities \$74,114 (2018 - \$nil) (Notes 6 and 9).

15. FINANCIAL RISK AND CAPITAL MANAGEMENT

As at September 30, 2019, the Company's financial instruments include cash, accounts receivable, trade and accrued liabilities and due to related parties. Cash is classified as a financial asset at Fair Value Through Profit and Loss ("FVTPL") – Level 1. Accounts receivable, trade and accrued liabilities and due to related parties are classified as other financial liabilities – Level 2. 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 depositing its cash with a Canadian Schedule 1 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 rating the institution has with the credit rating agencies. As at September 30, 2019, the Company had cash of \$109,487 (December 31, 2018 - \$347,547).

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

The Company's secondary exposure to credit risk is on its receivable of \$67,591. This risk is minimal as \$27,529 of the receivable consists of refundable GST input tax credits. (December 31, 2018 - \$14,092) as well as grants receivable from government agencies of \$30,762 (December 31, 2018 - \$10,000). The Company believes that it will realize on its receivables in the current fiscal year.

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, 2019, 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, 2019, the Company had a working capital deficit of \$147,215 (December 31, 2018 – working capital of \$258,553). At September 30, 2019, the Company had a cash balance of \$109,487, which is insufficient to pay its current cash liabilities of \$344,675 which casts doubt for the Company to continue operations in the short term. The Company will need to raise additional equity financing to be able to continue operations during Q4 2019, in 2020 and beyond.

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 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 holds all surplus capital in cash accounts held with major financial institutions. The Company does not pay out dividends.

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

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2019. The Company is not subject to any externally imposed capital requirements.

In 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.

On April 25, 2019, the Company signed an agreement with the National Research Council Canada ("NRC") pursuant to which it would receive up to \$20,000 in IRAP funding on a reimbursement basis to offset the costs of additional support staff between May 15 and November 30, 2019. The Company applied for the initial reimbursement funding in July 2019. The company invoiced the NRC for \$14,825 during the nine months ended September 30, 2019.

The Company received grant approval of \$56,000 from NRC-IRAP in 2018 towards technology development at National Research Council laboratories in Ottawa and Vancouver. E3 received a total of \$55,320 under this program as of August 2019. The project was completed in July 2019.

In 2018, 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 and \$90,000 during the nine months ended September 30, 2019.

16. SUBSEQUENT EVENTS

On October 18, 2019, the Company received approval from the TSX Venture Exchange to issue 56,015 common shares for services rendered pursuant to a consulting services agreement between the Company and John McNicol dated January 17, 2019. Additional details can be found in the Company's news release dated January 22, 2019.

On November 7, 2019, 425,000 stock options issued on November 7, 2017 expired unexercised.

On November 11, 2019, the Company issued 100,000 stock options to a consultant. The options can be exercised at a price \$0.40 and expire November 11, 2022. The options vest in 25,000 option increments every three months beginning November 11, 2019.

On November 20, 2019, the Company announced its intention to complete a non-brokered private placement of up to 7,500,000 units ("Units") of the Company at a price of \$0.40 per Unit for gross proceeds of up to \$3,000,000. Each Unit will comprised of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one common share of the Company at a price of \$0.60 per Warrant Share for a period of 2 years and 6 months from closing. Closing of the private placement is expected to occur in tranches between the date of these statements and December 31, 2019.