



Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

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 Chartered Professional Accountants of Canada for a review of the condensed consolidated interim financial statements by an entity's auditors.

November 24, 2020



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

	Notes	September 30, 2020 (unaudited)	December 31, 2019 (audited)
<b>Assets</b>			
Current assets:			
Cash		\$ 283,055	\$ 277,464
Restricted cash	9	439,856	945,108
Receivables	3	77,720	42,053
Prepaid expenses	4	131,023	232,625
		<b>931,654</b>	<b>1,497,250</b>
Property and equipment	5	3,297	12,341
Right-of-use asset	6	24,534	11,433
Exploration and evaluation assets	7	2,801,962	2,721,478
Intangible assests	8	768,058	236,945
		<b>\$ 4,529,505</b>	<b>\$ 4,479,447</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Trade payables and accrued liabilities	10	\$ 131,435	\$ 427,891
Due to related parties		2,780	15,158
Lease liability	11	29,001	12,644
		<b>163,216</b>	<b>455,693</b>
Long-term liabilities			
Long-term notes payable	12	120,000	-
		<b>283,216</b>	<b>455,693</b>
Shareholders' equity:			
Share capital	13	21,260,118	20,264,608
Reserves		3,131,068	2,760,249
Foreign currency reserve		(75,128)	(75,128)
Contributed capital	9	997,275	997,275
Deficit		(21,067,044)	(19,923,250)
		<b>4,246,289</b>	<b>4,023,754</b>
		<b>\$ 4,529,505</b>	<b>\$ 4,479,447</b>

Nature of operations and going concern (Note 1)

Subsequent events (Note 16)

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



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

	Number of Shares	Amount	Contributed Capital	Contributed Surplus	Foreign Currency Reserve	Deficit	Total Equity
<b>Balance, January 1, 2020</b>	<b>27,397,901</b>	<b>20,264,608</b>	<b>\$ 997,275</b>	<b>\$ 2,760,249</b>	<b>\$ (75,128)</b>	<b>\$ (19,923,250)</b>	<b>\$ 4,023,754</b>
Private placement of units	3,004,500	1,201,800	-	-	-	-	1,201,800
Share issued to settle payables	18,750	7,500	-	-	-	-	7,500
Value attributed to warrants issued with private placement of units	-	(225,337)	-	225,337	-	-	-
Finder's warrants issued with private placement of units	-	(9,800)	-	9,800	-	-	-
Exercise of stock options	75,000	30,000	-	-	-	-	30,000
Reclassify contributed surplus on exercise of stock options	-	18,357	-	(18,357)	-	-	-
Share issue costs	-	(27,010)	-	-	-	-	(27,010)
Share-based compensation	-	-	-	154,039	-	-	154,039
Net loss for the period	-	-	-	-	-	(1,143,794)	(1,143,794)
<b>Balance, September 30, 2020</b>	<b>30,496,151</b>	<b>\$ 21,260,118</b>	<b>\$ 997,275</b>	<b>\$ 3,131,068</b>	<b>\$ (75,128)</b>	<b>\$ (21,067,044)</b>	<b>\$ 4,246,289</b>
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	3,971,984	1,346,652	-	-	-	-	1,346,652
Finders warrants issued	-	(19,511)	-	19,511	-	-	-
Exercise of options	100,000	40,000	-	-	-	-	40,000
Warrant Extension	-	(4,813)	-	4,813	-	-	-
Share-based compensation	-	-	-	327,735	-	-	327,735
Effect of change in accounting policy	-	-	-	-	-	(5,339)	(5,339)
Net loss for the period	-	-	-	-	-	(1,852,445)	(1,852,445)
<b>Balance, September 30, 2019</b>	<b>25,073,986</b>	<b>\$ 19,463,599</b>	<b>\$ -</b>	<b>\$ 2,661,153</b>	<b>\$ (75,370)</b>	<b>\$ (19,403,917)</b>	<b>\$ 2,645,465</b>

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, 2020 and 2019  
(Expressed in Canadian Dollars– Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
<b>Expenses:</b>					
Business development and marketing		\$ 123,160	\$ 205,131	\$ 307,557	\$ 299,707
Consulting fees		91,545	65,889	266,373	360,177
Wages and benefits		63,370	135,136	252,997	367,777
Share-based compensation		31,891	92,552	154,039	327,735
General and administrative		20,794	37,393	95,850	115,333
Professional fees		11,340	183,830	69,168	254,828
Amortization	5, 6	9,723	8,625	38,877	24,746
Regulatory and transfer agent fees		1,967	21,638	21,693	48,379
Travel expenses		1,918	8,853	13,100	47,782
Interest on lease liability	11	646	1,514	1,093	4,904
Realized loss (gain) on foreign exchange		13,437	-	(26,133)	-
Wages and benefits subsidy		-	-	(50,820)	-
<b>Net Loss for period</b>		<b>(369,791)</b>	<b>(760,561)</b>	<b>(1,143,794)</b>	<b>(1,851,368)</b>
<b>Other Comprehensive Income</b>					
Exchange loss on translating foreign currencies		-	(1,682)	-	(1,077)
<b>Comprehensive Loss for period</b>		<b>\$ (369,791)</b>	<b>\$ (762,243)</b>	<b>\$ (1,143,794)</b>	<b>\$ (1,852,445)</b>
Loss per common share					
- Basic and diluted		\$ (0.01)	\$ (0.03)	\$ (0.04)	\$ (0.08)
Weighted average number of common shares					
outstanding – Basic and diluted		30,493,094	25,060,943	29,792,966	23,573,266

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, 2020 and 2019  
(Expressed in Canadian Dollars -Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Cash provided by (used in):					
Operating:					
Net loss for the year		\$ (369,791)	\$ (760,561)	\$ (1,143,794)	\$ (1,851,368)
Items not affecting cash					
Share-based compensation	14	31,891	92,552	154,039	327,735
Amortization	5, 6	9,723	8,625	38,877	24,746
Non-cash interest expense on lease liability	11	646	1,514	1,093	4,904
Change in non-cash working capital:					
Receivables		4,101	(50,224)	(35,667)	(43,500)
Prepays	4	77,472	(16,310)	101,602	(10,966)
Trade payables and accrued liabilities		30,291	139,867	(288,956)	206,713
Due to related parties		(1,097)	4,141	(12,378)	(6,351)
<b>Net cash used in operating activities</b>		<b>(216,764)</b>	<b>(580,396)</b>	<b>(1,185,184)</b>	<b>(1,348,087)</b>
Investing:					
Investment in Joint Venture		-	(66)	-	(66)
Intangible assets	8	(165,937)	-	(531,113)	-
Exploration and evaluation assets	7	(58,631)	(35,971)	(80,484)	(247,137)
Property and equipment	5	-	(1,128)	-	(1,128)
Short-term loan		-	-	-	(4,153)
<b>Net cash used in investing activities</b>		<b>(224,568)</b>	<b>(37,165)</b>	<b>(611,597)</b>	<b>(252,485)</b>
Financing:					
Proceeds from private placements (net)	13	-	-	1,174,790	1,346,652
Lease liability	11	(11,130)	(7,688)	(27,670)	(23,063)
Exercise of stock options	13	-	40,000	30,000	40,000
Long term notes		120,000	-	120,000	-
<b>Net cash from financing activities</b>		<b>108,870</b>	<b>32,312</b>	<b>1,297,120</b>	<b>1,363,589</b>
Effect of foreign exchange		-	(1,682)	-	(1,077)
<b>Change of cash during the period</b>		<b>(332,462)</b>	<b>(586,931)</b>	<b>(499,661)</b>	<b>(238,060)</b>
Cash, beginning of the period		1,055,373	696,418	1,222,572	347,547
<b>Cash, end of the period</b>		<b>\$ 722,911</b>	<b>\$ 109,487</b>	<b>\$ 722,911</b>	<b>\$ 109,487</b>
Unrestricted cash		\$ 283,055	\$ 109,487	\$ 283,055	\$ 109,487
Restricted cash - security for credit facility		28,750	-	28,750	-
Restricted cash - Joint operations	9	411,106	-	411,106	-
<b>Cash, end of the period</b>		<b>\$ 722,911</b>	<b>\$ 109,487</b>	<b>\$ 722,911</b>	<b>\$ 109,487</b>

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

E3 Metals Corp. (“E3 Metals” or the “Company”) was incorporated on August 19, 1998 under the laws of British Columbia. The Company’s shares trade on the TSX Venture Exchange (the “Exchange”) under the symbol ETMC.

The Company’s head office and principal address is Suite 2300, 150 9<sup>th</sup> Ave SW, Calgary, AB, T2P 3H9. The registered and records office is Suite 400, 725 Granville Street, Vancouver, BC, V7Y 1G5.

E3 Metals is a resource company with mineral properties in Alberta that is currently focused on technology development for lithium extraction from Alberta brines contained in its mineral properties. The Company has not yet determined whether its mineral properties contain lithium 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 from the properties.

These condensed consolidated interim financial statements (the “financial statements”) have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. These financial statements do not give effect to any adjustments to the amounts or classification of assets and liabilities which might be necessary should the Company be unable to continue as a going concern.

As at September 30, 2020, the Company has not generated revenues from operations and has an accumulated deficit of \$21,067,044 (2019 – \$19,403,917) including a net loss of \$1,143,794 (2019 – \$1,852,445) incurred during the period ended September 30, 2020. These events and conditions indicate a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. The Company may continue to have capital requirements in excess of its currently available resources. The Company will require financing to continue its business plan through 2021, and there can be no assurance that such financing will be available or, if available, that it will be on reasonable terms.

The impact of the Covid-19 pandemic on the world’s financial markets may make it a significant challenge for the Company to raise new equity. On the advice of the Canadian public health authorities E3 Metals temporarily ceased all non-essential travel and implemented a work from home program for all staff. As of the date hereof, staff are working under a combined work from home/work in the office schedule and are utilizing the appropriate social distancing and other recommended or required safety protocols. As of the date of these financial statements, the laboratory development work continues, however we do anticipate some delays as our partners, specifically GreenCentre Canada and Livent Corp., implement their own safety protocols.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on November 24, 2020 by the directors of the Company.

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

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) using International Accounting Standard (“IAS”) 34: Interim Financial Reporting and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at their estimated fair value. They do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements and notes thereto for the period ended December 31, 2019. The financial statements have been prepared using the same accounting policies and methods as the audited consolidated financial statements for the period ended December 31, 2019.

### ***Consolidation***

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

The jointly controlled entity is consolidated using the proportional consolidation method beginning the date that the entity was incorporated. The subsidiaries of the Company are as follows:

	Country of incorporation	Functional currency	Percentage owned	
			September 30, 2020	December 31, 2019
1975293 Alberta Ltd.	Canada	CAD	100%	100%
0904254 BC Ltd. <sup>(1)</sup>	Canada	CAD	-	-
Mexigold Resources SA de CV (“MAU Mexico”) <sup>(2)</sup>	Mexico	MEX	100%	100%
2216747 Alberta Ltd. <sup>(3)</sup>	Canada	CAD	50%	50%

(1) 0904254 BC Ltd was dissolved in 2019.

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

(3) 2216747 Alberta Ltd. was incorporated in 2019 and is a jointly controlled operation. It's recognized in these financial statements using the proportionate consolidation method.

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

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 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; and
- the classification of financial instruments.

### ***Significant Accounting Policies***

These 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, 2019.

Notes to Condensed Consolidated Interim Financial Statements  
For the three and nine months ended September 30, 2020 and 2019  
(Expressed in Canadian Dollars - Unaudited)

### 3. RECEIVABLES

Receivables consist primarily of input tax credits due to the Company and the amount due from 2216747 Alberta Ltd. that does not eliminate on proportional consolidation. The Company expects to realize on all outstanding receivables during the current fiscal period.

### 4. PREPAID EXPENSES

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

	September 30, 2020	December 31, 2019
Deposits on office leases	\$ 26,682	\$ 2,564
Insurance	12,044	12,401
Marketing and business development	91,647	216,310
Other	650	1,350
	<b>\$ 131,023</b>	<b>\$ 232,625</b>

### 5. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture	Software Licenses	Leasehold Improvements	Total
<b>Cost:</b>					
At December 31, 2019	20,680	2,760	27,428	14,768	65,636
Additions	-	-	-	-	-
Disposal	-	-	-	(12,460)	(12,460)
<b>At September 30, 2020</b>	<b>20,680</b>	<b>2,760</b>	<b>27,428</b>	<b>2,308</b>	<b>53,176</b>
<b>Amortization:</b>					
At December 31, 2019	17,405	1,170	27,428	7,292	53,295
Amortization	1,332	235	-	(4,984)	(3,416)
<b>At September 30, 2020</b>	<b>18,737</b>	<b>1,406</b>	<b>27,428</b>	<b>2,308</b>	<b>49,879</b>
<b>Net book value:</b>					
At December 31, 2019	3,275	1,590	-	7,476	12,341
<b>At September 30, 2020</b>	<b>1,943</b>	<b>1,354</b>	<b>-</b>	<b>-</b>	<b>3,297</b>

## 6. RIGHT-OF-USE ASSETS

	September 30, 2020	December 31, 2019
Balance, beginning of period	\$ 11,433	\$ 86,934
Additions	42,934	-
Current period amortization	(29,833)	(2,287)
Reduction of right-of-use asset as a result of lease modification	-	(49,890)
	<b>\$ 24,534</b>	<b>\$ 11,433</b>

The asset was measured at the present value of the remaining lease payments using the Company's incremental borrowing rate of 8%. 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.

The terms of the Company's previous office lease allowed for early termination by providing notice of termination six months prior to end of the initial three year lease period. On November 28, 2019, the Company provided notice to terminate its office lease effective May 31, 2020. Pursuant to IFRS 16, this meets the conditions of a lease modification which has been calculated effective December 1, 2019.

The Company entered into a new 14 month lease effective April 1, 2020 with WeWork - The Edison. The lease consists of 12 monthly net payments of \$3,710 (first two months free).

## 7. EXPLORATION AND EVALUATION ASSETS

The Company's mineral properties are currently comprised of 80 Mine and Mineral ("MIM") Permits, which includes the rights for lithium, totalling 600,333 hectares (6,003 square kilometres) that can be further sub-divided into six separate sub-properties, or groups of contiguous permits:

- Clearwater Sub-Property: 21 contiguous permits totaling 157,305 hectares;
- Exshaw Sub-Property: 18 contiguous permits totaling 142,285 hectares;
- Rocky Sub-Property: 24 contiguous permits totaling 184,022 hectares;
- Sunbreaker Sub-Property: 2 contiguous permits totalling 15,678 hectares;
- Drumheller Sub-Property: 8 contiguous permits totalling 55,511 hectares; and
- Meadowbrook-Rimbey: 7 contiguous permits totalling 45,532 hectares

Notes to Condensed Consolidated Interim Financial Statements  
 For the three and nine months ended September 30, 2020 and 2019  
 (Expressed in Canadian Dollars - Unaudited)

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

The following table summarizes the Company's E&E asset expenditures in its Alberta Petro-Lithium Project as at September 30, 2020:

<b>Acquisition Costs:</b>	
Balance December 31, 2019	\$ 1,652,759
<b>Balance September 30, 2020</b>	<b>\$ 1,652,759</b>
<b>Exploration Costs:</b>	
Balance, December 31, 2019	\$ 1,068,719
Capitalized expenses	80,484
<b>Balance, September 30, 2020</b>	<b>\$ 1,149,203</b>
Total, December 31, 2019	\$ 2,721,478
<b>Total, September 30, 2020</b>	<b>\$ 2,801,962</b>

## 8. INTANGIBLE ASSETS

	September 30, 2020	December 31, 2019
Opening balance	\$ 236,945	\$ -
Consultants	-	286,530
Water analysis	-	20,084
Other expenditures	-	7,115
E3's share of IP development expenditures incurred by Devco	531,113	88,537
	<b>768,058</b>	402,266
Grants received	-	(165,321)
<b>Balance, end of period</b>	<b>\$ 768,058</b>	<b>\$ 236,945</b>

## 9. JOINT OPERATION

Under the terms of a Unanimous Shareholders Agreement entered into in September 2019 with FMC Lithium USA Corp ("Livent"), E3 purchased fifty (50) common shares of 2216747 Alberta Ltd. ("Devco"), representing a 50% ownership of the company. In addition, E3 granted Devco a perpetual, exclusive, royalty-free intellectual property license. The Company's intellectual property consists of its proprietary Ion-Exchange technology.

## 9. JOINT OPERATION (cont'd)

In accordance with IFRS 11 – Joint Arrangements, the Company’s investment is considered a joint operation. As a result, the Company recognizes its share of the jointly held assets and liabilities as well as its share of the jointly incurred expenses relating to the ownership of Devco.

The following summarizes the amounts included in the Company’s financial statements at September 30, 2020 as a result of the joint operation with Devco:

	E3 Metals – 50%	Devco – 100%
Cash	\$ 411,106	\$ 822,212
GST receivable	23,845	47,689
Intangible assets	619,650	1,239,300
Accounts payable and accrued liabilities	15,349	30,699
Contributed capital	997,275	1,994,551
Current year unrealized loss on foreign exchange	27,875	55,750

## 10. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	September 30, 2020	December 31, 2019
Trade payables	\$131,435	\$228,183
Engineering - commercial project study	-	105,000
Intangible assets	-	70,033
Invoices payable to Devco	-	24,675
<b>Balance, end of period</b>	<b>\$131,435</b>	<b>\$ 427,891</b>

## 11. 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 \$29,719 against the associated right-of use asset on January 1, 2019.

The terms of the Company’s previous office lease allowed for early termination by providing notice of termination six months prior to end of the initial three year lease period. On November 28, 2019, the Company provided notice to terminate its office lease effective May 31, 2020. Pursuant to IFRS 16, this meets the conditions of a lease modification, which has been calculated effective December 1, 2019.

Notes to Condensed Consolidated Interim Financial Statements  
 For the three and nine months ended September 30, 2020 and 2019  
 (Expressed in Canadian Dollars - Unaudited)

## 11. LEASE LIABILITIES (cont'd)

	September 30, 2020	December 31, 2019
<b>Liability:</b>		
Balance, beginning of period	\$ 12,644	\$ 92,273
Addition	42,934	-
Interest	1,093	5,928
Lease payments	(27,670)	(30,750)
Reduction of lease liability as a result of lease modification	-	(54,807)
<b>Balance, end of period</b>	<b>\$ 29,001</b>	<b>\$ 12,644</b>

## 12. LONG-TERM NOTES PAYABLE

On September 23, 2020, the Company entered into an agreement with the Government of Canada as represented by the Minister responsible for Western Economic Diversification Canada. The Company received a total of \$150,000 (\$120,000 September 29th, 2020 and \$30,000 on October 19th, 2020).

The Company begins repaying the note commencing January 31, 2023, and ending December 31, 2025. The Company has the right to prepay the note at any time. The interest rate on the note is prime plus 3%.

## 13. SHARE CAPITAL

### *Authorized share capital*

Unlimited common shares with no par value.

### *Issued and outstanding*

	Number of Shares
Balance at December 31, 2019	27,397,901
Issuance of shares on exercise of stock options	75,000
Issuance of shares by private placement	3,004,500
Issuance of shares to settle payables	18,750
<b>Balance at September 30, 2020</b>	<b>30,496,151</b>

On February 5, 2020, the Company issued 75,000 common shares pursuant to the exercise of 75,000 stock options at a price of \$0.40 per share.

### 13. SHARE CAPITAL (cont'd)

On March 2, 2020, the Company closed the second tranche of its non-brokered private placement financing announced on November 20, 2019 by issuing 3,004,500 units at a price of \$0.40 per unit for total gross proceeds of \$1,201,800. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one additional common share at an exercise price of \$0.60 for a period of 30 months following the date of issuance. Commissions comprised of \$18,000 cash and 45,000 broker warrants were issued in connection with the second tranche closing. Broker warrants issued carry the same terms as the unit warrants.

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

#### **Escrow Shares**

Under certain escrow agreements dated May 30, 2017, 6,000,000 shares issued to the former shareholders of the Alberta Co. were placed in escrow. 10% of the escrowed common shares were released from escrow on the date of the closing of the Transaction (the "Initial Release") and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months. As at December 31, 2019, a total of 900,000 (2018 – 2,900,000) common shares were held in escrow. On May 30, 2020, the final tranche of 900,000 shares were released from escrow.

#### **Share Purchase Warrants**

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

	Number of warrants
Balance at December 31, 2019	4,238,781
Warrants issued with private placement	1,502,250
Finder's warrants issued with private placement	45,000
Expired warrants	(892,500)
<b>Balance at September 30, 2020</b>	<b>4,893,531</b>

### 13. SHARE CAPITAL (cont'd)

The share purchase warrants outstanding and exercisable as at September 30, 2020:

Grant date	Number of warrants outstanding	Exercise price	Expiry date	Weighted average life of warrants (years)	Number of warrants exercisable
April 4, 2019	1,985,992	\$ 0.45	Apr 4, 2021	0.51	1,985,992
April 4, 2019	124,404	\$ 0.45	Apr 4, 2021	0.51	124,404
September 17, 2019	101,935	\$ 1.17	Sep 17, 2021	0.96	101,935
December 19, 2019	1,133,950	\$ 0.60	Sep 19, 2022	1.72	1,133,950
March 2, 2020	1,502,250	\$ 0.60	Sep 2, 2022	1.92	1,502,250
March 2, 2020	45,000	\$ 0.60	Sep 2, 2022	1.92	45,000
	<b>4,893,531</b>	<b>\$ 0.55</b>		<b>1.24</b>	<b>4,893,531</b>

#### Stock options

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

A summary of the Company's stock option transactions is presented below:

The share options outstanding and exercisable as at September 30, 2020:

	September 30, 2020		December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	1,915,000	\$ 0.42	1,885,000	\$ 0.64
Granted	1,118,000	\$ 0.40	1,125,000	\$ 0.43
Exercised	(75,000)	\$ 0.40	(100,000)	\$ 0.40
Expired	(75,000)	\$ 0.40	(995,000)	\$ 0.64
Options outstanding, end of period	<b>2,883,000</b>	<b>\$ 0.42</b>	<b>1,915,000</b>	<b>\$ 0.42</b>

### 13. SHARE CAPITAL (cont'd)

The weighted average life of options outstanding is 1.57 years (2019 – 1.85).

The share options outstanding and exercisable as at September 30, 2020:

Grant date	Number of Options outstanding	Exercise price	Expiry date	Number of Options exercisable
August 21, 2018	465,000	\$ 0.40	August 21, 2021	465,000
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	100,000
November 11, 2019	100,000	\$ 0.40	November 11, 2022	75,000
April 22, 2020	295,000	\$ 0.40	April 22, 2022	-
April 22, 2020	118,000	\$ 0.40	October 21, 2022	-
April 22, 2020	650,000	\$ 0.40	April 22, 2023	450,000
August 15, 2020	25,000	\$ 0.40	August 15, 2022	25,000
August 24, 2020	30,000	\$ 0.40	August 24, 2022	7,500
	<b>2,883,000</b>	<b>\$ 0.42</b>		<b>2,222,500</b>

#### **Reserves**

Contributed surplus records items recognized as share-based payments and value attributed to warrants until such time that the stock options and 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.

#### 14. RELATED PARTY TRANSACTIONS

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

During the nine months ended September 30, 2020 and 2019, the remuneration of the key management personnel were as follows:

Nine months ended September 30,	2020	2019
Management salaries and benefits(i)	\$ 171,235	\$ 233,933
Consulting fees (ii)	63,203	63,000
Share-based compensation (iii)	32,302	44,395
<b>Total</b>	<b>\$ 266,740</b>	<b>\$ 341,328</b>

- (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 Corporate Affairs and Exploration increased to \$152,250 plus benefits. Effective February 1, 2020, the VP Corporate Affairs and Exploration converted to a 0.6 FTE work schedule with an associated reduction in salary to \$91,350. Effective May 1, 2020, both these individuals voluntarily reduced their salaries by 20% to assist the Company in conserving cash as a result of the impact of COVID-19..

During the six months ended September 30, 2020, the Company paid gross management salaries of \$171,235 (2019 - \$233,933) pursuant to these agreements;

- (ii) On May 10, 2019, the Company entered into an agreement with The CFO Centre Limited to provide part-time CFO services and other consulting services on a contract basis. For the period ended September 30, 2020, the Company paid \$63,203 (2019 - \$63,000) in fees to the CFO Centre.

In addition, a member of The CFO Centre management team was granted 60,000 stock options during the second quarter of 2020 at a price of \$0.40 and expire on October 21, 2022; and

- (iii) The Company recognized \$32,302 share-based compensation during the period ended September 30, 2020 (2019 - \$44,395) on the vested portion of stock options granted to directors and officers.

#### 15. FINANCIAL RISK AND CAPITAL MANAGEMENT

As at September 30, 2020, the Company's financial instruments include cash, trade and accrued liabilities and due to related parties. Cash is classified as a financial asset at FVTPL. Trade and accrued liabilities and due to related parties are classified as other financial liabilities. The carrying value of these financial instruments approximates their fair value due to their short-term maturity.

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

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

### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and receivables. The Company minimizes its exposure to credit risk by placing its cash with

Canadian Schedule 1 Chartered banks. While there is concentration of risk by holding all funds with one institution, management assesses credit risk of cash as low due to the high credit quality rating the institution has with the rating agencies. As at September 30, 2020, the Company had cash of \$283,055 (December 31, 2019 - \$277,464).

The Company's secondary exposure to credit risk is on its receivable. This risk is minimal as receivables consist primarily of refundable input tax credits and amounts owed by partner in joint operation. Gross amounts receivable of \$77,720 (December 31, 2019 - \$42,053).

### *Currency risk*

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

### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The fair value of the Company's financial instruments is relatively unaffected by changes in interest rates. The Company is exposed to interest rate risk on its bank deposit, which earns interest at a variable rate. Based on the cash balance at September 30, 2020, the effect of a 10% fluctuation in interest rates would not be material.

### *Liquidity and funding risk*

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

As at September 30, 2020, the Company had a working capital of \$768,438 (December 31, 2019 - \$1,041,557). At September 30, 2020, the Company had a cash balance of \$283,055, which is sufficient to pay its current liabilities of \$163,216, and to continue operations through 2020 and into 2021.

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

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

### Capital Management

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

There were no changes in the Company's approach to capital management during the three months ended September 30, 2020. The Company is not subject to any externally imposed capital requirements.

## 16. SUBSEQUENT EVENTS

As of the date hereof, 816,087 common shares have been issued on the exercise of stock options and share purchase warrants. The Company received consideration totalling \$397,783 from the exercise of the options and warrants. The common shares were issued at prices of \$0.40, \$0.43, \$0.45 and \$0.60 per common share. Following the issuance of these common shares, the Company had 35,537,260 common shares issued and outstanding.

On October 16, 2020, the Company completed a private placement and issued 3,336,750 common shares at a price of \$0.40 per share for gross proceeds of \$1,334,700.

On November 9, 2020, the Company granted 650,000 stock options to directors of the Company. The options are exercisable at \$0.70 per share for a period of three years and vest immediately.

On November 16, 2020, The Company announced the results of a Preliminary Economic Assessment ("PEA") of its 100% owned Clearwater Lithium Project. The PEA results are summarized as follows:

- Pre-tax USD 1.1 Billion NPV at 8% discount rate and IRR of 32%;
- Total initial CAPEX estimate of USD 602.0 Million inclusive of both direct and indirect capital costs and 79.8 Million in contingency;
- 20-year project-life producing 20,000 tonnes per year of battery-quality LHM. Over the project-life, a total of 400,000 tonnes of lithium hydroxide monohydrate ("LHM") is contemplated being produced from the Clearwater Resource; and
- All-in operating costs of USD 3,656 per tonne LHM, USD 73.2 Million annually, including all direct and indirect costs.

## **16. SUBSEQUENT EVENTS (con't)**

On November 19, 2020, the Company announced that it had entered into an agreement with Canaccord Genuity Corp. to lead a brokered private placement of units of the Company (the "Units"), in syndicate with Mackie Research Capital Corp of up to \$6.7 million dollars at a price of \$1.10 per Unit. Each Unit will be comprised of one common share of the Company and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable to acquire one common share at a price of \$2.00 per share for a period of 24 months from the closing of the Offering.