



Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

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.

May 25, 2021

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

	Notes	March 31, 2021 (unaudited)	December 31, 2020 (audited)
<b>Assets</b>			
Current assets:			
Cash		\$ 15,054,142	\$ 6,467,377
Restricted cash		-	221,795
Receivables	3	96,648	52,929
Prepays	4	144,088	115,240
		<b>15,294,878</b>	<b>6,857,341</b>
Property and equipment	5	17,225	4,797
Right-of-use asset	6	111,185	15,333
Exploration and evaluation assets	7	2,939,145	2,876,588
Intangible assets	8	1,985,768	886,687
<b>Total Assets</b>		<b>\$ 20,348,201</b>	<b>\$10,640,746</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Trade payables and accrued liabilities		\$ 418,357	\$ 309,964
Due to related parties		19,913	65,913
Lease liability short-term	10	17,760	18,306
		<b>456,030</b>	<b>394,183</b>
Long-term liabilities			
Lease liability long-term	10	64,349	-
Long-term notes payable	11	-	150,000
<b>Total Liabilities</b>		<b>520,379</b>	<b>544,183</b>
Shareholders' equity:			
Share capital	12	36,519,146	28,052,180
Contributed surplus	12	5,002,627	3,140,573
Contributed capital	9	1,986,898	997,275
Foreign currency reserve		(75,128)	(75,128)
Deficit		(23,605,721)	(22,018,337)
		<b>19,827,822</b>	<b>10,096,563</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 20,348,201</b>	<b>\$10,640,746</b>

Nature and continuance of operations (Note 1)

Subsequent events (Note 15)

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, 2021</b>	<b>41,664,131</b>	<b>\$ 28,052,180</b>	<b>\$ 997,275</b>	<b>\$ 3,140,573</b>	<b>\$ (75,128)</b>	<b>\$ (22,018,337)</b>	<b>\$ 10,096,563</b>
Private placement of units	6,793,300	8,050,061	-	-	-	-	8,050,061
Exercise of stock options & warrants	4,052,300	2,167,199	-	-	-	-	2,167,199
Reclassify contributed surplus on exercise of stock options/warrants	-	416,906	-	(416,906)	-	-	-
Share issue costs	-	(2,167,200)	-	1,313,599	-	-	(853,601)
Contributed capital	-	-	989,623	-	-	-	989,623
Share-based compensation	-	-	-	965,361	-	-	965,361
Net loss for the period	-	-	-	-	-	(1,587,384)	(1,587,384)
<b>Balance, March 31, 2021</b>	<b>52,509,731</b>	<b>\$ 36,519,146</b>	<b>\$ 1,986,898</b>	<b>\$ 5,002,627</b>	<b>\$ (75,128)</b>	<b>\$ (23,605,721)</b>	<b>\$ 19,827,822</b>
<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
Value attributed to warrants issued with private placement	-	(225,337)	-	225,337	-	-	-
Finder's warrants issued with private placement	-	(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	-	(27,009)	-	-	-	-	(27,009)
Share-based compensation	-	-	-	8,753	-	-	8,753
Net loss for the period	-	-	-	-	-	(393,210)	(393,210)
<b>Balance, March 31, 2020</b>	<b>30,477,401</b>	<b>\$ 21,252,618</b>	<b>\$ 997,275</b>	<b>\$ 2,985,782</b>	<b>\$ (75,128)</b>	<b>\$ (20,316,460)</b>	<b>\$ 4,844,088</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 months ended March 31, 2021 and 2020  
 (Expressed in Canadian Dollars– Unaudited)

	Notes	2021	2020
<b>Expenses:</b>			
Share-based compensation	12	\$ 965,361	\$ 8,753
Business development and marketing		218,214	94,365
Professional fees		128,336	(12,751)
Consulting fees		114,323	149,353
Wages and benefits		61,076	137,268
Regulatory and transfer agent fees		45,581	9,096
General and administrative		32,617	57,063
Amortization	5, 6	18,519	7,997
Realized loss (gain) on foreign exchange		6,109	(68,955)
Travel expenses		1,894	10,869
Interest on lease liability	10	1,708	152
		<b>(1,593,738)</b>	<b>(393,210)</b>
Interest income		<b>(6,354)</b>	-
<b>Net Loss for period</b>		<b>(1,587,384)</b>	<b>(393,210)</b>
<b>Comprehensive Loss for period</b>		<b>\$ (1,587,384)</b>	<b>\$ (393,210)</b>
Loss per common share			
- Basic and diluted		<b>\$ (0.03)</b>	<b>\$ (0.01)</b>
Weighted average number of common shares outstanding –			
Basic and diluted		<b>47,754,969</b>	<b>28,400,709</b>

The accompanying notes form a part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statements of Cash Flows  
For the three months ended March 31, 2021 and 2020  
(Expressed in Canadian Dollars -Unaudited)

	Notes	2021	2020
Cash provided by (used in):			
Operating:			
Net loss for the period		\$ (1,587,384)	\$ (393,210)
Items not affecting cash			
Share-based compensation	12	965,361	8,753
Amortization	5, 6	18,519	7,997
Non-cash interest expense on lease liability	10	1,708	152
Change in non-cash working capital:			
Receivables		(14,296)	9,880
Prepays	4	(28,848)	(97,764)
Trade payables and accrued liabilities		108,393	(310,897)
Due to related parties		(46,000)	(6,283)
<b>Net cash used in operating activities</b>		<b>(582,547)</b>	<b>(781,372)</b>
Investing:			
Intangible assets	8	(453,975)	(172,192)
Exploration and evaluation assets	7	(62,557)	(19,181)
Property and equipment	5	(15,568)	-
Acquisition of joint operations, net of cash received	9	221,922	-
<b>Net cash used in investing activities</b>		<b>(310,178)</b>	<b>(191,373)</b>
Financing:			
Proceeds from private placements (net)	12	7,196,460	1,174,790
Lease liability	10	(49,136)	(7,688)
Exercise of stock options and warrants	12	2,167,199	30,000
Grants		93,172	-
Long term notes	11	(150,000)	-
<b>Net cash from financing activities</b>		<b>9,257,695</b>	<b>1,197,102</b>
<b>Change of cash during the period</b>		<b>8,364,970</b>	<b>224,357</b>
<b>Cash, beginning of the period</b>		<b>6,689,172</b>	<b>1,222,572</b>
<b>Cash, end of the period</b>		<b>\$ 15,054,142</b>	<b>\$ 1,446,929</b>
Unrestricted cash		15,054,142	548,512
Restricted cash - security for credit facility		-	28,750
Restricted cash - Joint operations	9	-	869,667
<b>Cash, end of the period</b>		<b>\$ 15,054,142</b>	<b>\$ 1,446,929</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.

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 March 31, 2021, the Company has not generated revenues from operations and has an accumulated deficit of \$23,605,721 (2020 – \$22,018,337) including a net loss of \$1,587,384 (2020 – \$393,210) incurred during the period ended March 31, 2021. 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’s ability to continue as a going concern is dependent upon its ability to raise equity financing to further develop their proprietary technology and commence construction of a pilot project.

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. Measures such as these have caused material disruption to businesses globally resulting in economic uncertainty. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks. COVID-19 has had an impact into the timing and cost to develop the Company’s DLE project.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on May 25, 2021 by the Board of Directors of the Company.

These Condensed Consolidated Interim 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***

These condensed consolidated interim 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. These consolidated 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, 2020. The consolidated financial statements have been prepared using the same accounting policies and methods as the consolidated financial statements for the period ended March 31, 2021.

### ***Consolidation***

These 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	Functional currency	Percentage owned	
			March 31, 2021	December 31, 2020
1975293 Alberta Ltd.	Canada	CAD	100%	100%
Mexigold Resources SA de CV (“MAU Mexico”) <sup>(1)</sup>	Mexico	MEX	100%	100%
Alberta Battery Holdings Inc. <sup>(2)</sup>	Canada	CAD	100%	50%

(1) MAU Mexico is inactive and has no assets.

(2) On January 25<sup>th</sup>, 2021 the Company acquired the remaining 50% of 2216747 Alberta Ltd. It was a jointly controlled operation, recognized using proportionate consolidation prior to the acquisition date. 2216747 Alberta Ltd. changed its name to Alberta Battery Holdings Inc. See Note 9 for further details



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 judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and judgments concerning the future. The Company's management reviews these estimates and judgments 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;
- the classification of financial instruments; and
- the determination of the functional currency of the Company and its subsidiaries.

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

These condensed interim financial statements follow the same accounting principles and methods of application of those disclosed in Note 2 of the Company's annual Financial Statements as at and for the year ended December 31, 2020.

Notes to Condensed Consolidated Interim Financial Statements  
For the three months ended March 31, 2021 and 2020  
(Expressed in Canadian Dollars - Unaudited)

### 3. RECEIVABLES

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

### 4. PREPAID EXPENSES

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

	March 31, 2021	December 31, 2020
Deposits on office & lab leases	\$ 19,640	\$ 18,552
Insurance	7,876	13,520
Marketing and business development	37,604	23,986
Other	78,968	59,182
	<b>\$ 144,088</b>	<b>\$ 115,240</b>

Reclassified \$28,750 GIC from restricted cash to prepaid expenses for current and prior year for presentation purposes as a deposit for corporate credit card.

### 5. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture	Software Licenses	Leasehold Improvements	Total
<b>Cost:</b>					
At December 31, 2020	23,509	2,760	27,428	2,308	56,005
Additions	15,568	-	-	-	15,568
<b>At March 31, 2021</b>	<b>39,077</b>	<b>2,760</b>	<b>27,428</b>	<b>2,308</b>	<b>71,573</b>
<b>Amortization:</b>					
At December 31, 2020	19,984	1,488	27,428	2,308	51,208
Amortization	3,077	63	-	-	3,140
<b>At March 31, 2021</b>	<b>23,061</b>	<b>1,551</b>	<b>27,428</b>	<b>2,308</b>	<b>54,348</b>
<b>Net book value:</b>					
At December 31, 2020	3,525	1,272	-	-	4,797
<b>At March 31, 2021</b>	<b>16,016</b>	<b>1,209</b>	<b>-</b>	<b>-</b>	<b>17,225</b>

Notes to Condensed Consolidated Interim Financial Statements  
For the three months ended March 31, 2021 and 2020  
(Expressed in Canadian Dollars - Unaudited)

## 6. RIGHT-OF-USE ASSETS

	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 15,333	\$ 11,433
Additions	111,231	42,934
Current period amortization	(15,379)	(39,034)
	<b>\$ 111,185</b>	<b>\$ 15,333</b>

## 7. EXPLORATION AND EVALUATION ASSETS

### Acquisition Costs:

Balance December 31, 2020	1,672,759
<b>Balance, March 31, 2021</b>	<b>\$ 1,672,759</b>

### Exploration Costs:

Balance, December 31, 2020	\$ 1,203,829
Capitalized expenses	62,557
<b>Balance, March 31, 2021</b>	<b>\$ 1,266,386</b>
Total, December 31, 2020	\$ 2,876,588
<b>Total, March 31, 2021</b>	<b>\$ 2,939,145</b>

## 8. INTANGIBLE ASSETS

	March 31, 2021	December 31, 2020
Opening balance	\$ 886,687	\$ 236,945
Consultants	232,012	-
Other expenditures	217,001	-
IP development expenditures	743,240	649,742
Grants	(93,172)	-
<b>Balance, end of year</b>	<b>\$ 1,985,768</b>	<b>\$ 886,687</b>

## 9. JOINT OPERATION

Under the terms of the USA 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

On October 12, 2019, Livent contributed US \$1.5 million (approximately CAD \$2.0 million) to Devco which is being used to fund the development work being conducted through Devco. Livent has no recourse to demand repayment of the contribution; therefore the Company’s share of contribution has been recognized within equity. The contribution, however, is restricted to jointly approved expenditures of Devco. At December 31, 2020, the Company share of cash restricted to jointly approved Devco expenditures was \$221,795. In accordance with IFRS 11 – Joint Arrangements, the Company’s investment is considered a joint operation. As a result, the Company’s recognized 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.

On January 25, 2021 Livent withdrew from the joint operation with E3 Metals citing capital allocation considerations. The exit from the joint operation followed the Unanimous Shareholder Agreement with the following predetermined terms:

- E3 exercised the right to purchase the property and equipment in Devco
- All Devco Intellectual Property and developments were transferred by Devco to E3 for USD \$1.00
- After the completion of the sale and distributions, E3 purchased and Livent sold all of its common shares of Devco to E3 for USD \$1.00 free and clear of all encumbrances
- Any remaining funds from Livent’s Contribution of Capital held in Devco shall be for the sole benefit of Devco.

E3 has accounted for the acquisition of the assets from Devco as an asset acquisition. The fair value of the assets were based on the cost approach as prescribed in IFRS 13 (Cash \$221,922, GST Receivable \$29,423, and Intangible assets \$738,279). The difference between the consideration paid and assets were recorded as an offset to contributed capital.

The following summarizes the amounts included in the Company’s financial statements as a result of the Devco consolidation:

	<b>Mar 31, 2021</b>		<b>Dec 31, 2020</b>	
	<b>E3 Metals - 100%</b>	<b>Devco - 100%</b>	<b>E3 Metals - 50%</b>	<b>Devco - 100%</b>
Cash	135	135	221,795	443,590
GST receivable	58,844	58,844	29,422	58,844
Intangible assets	1,481,519	1,481,519	738,279	1,476,558
Contributed capital	1,994,551	1,994,551	997,275	1,994,551
Current year deficit	(7,256)	(7,256)	(7,845)	(15,691)

Notes to Condensed Consolidated Interim Financial Statements  
 For the three months ended March 31, 2021 and 2020  
 (Expressed in Canadian Dollars - Unaudited)

## 10. LEASE LIABILITIES

	March 31, 2021	December 31, 2020
<b>Liability:</b>		
Balance, January 1	\$ 18,306	\$ 12,644
Addition	111,231	42,934
Interest	1,708	1,528
Lease payments	(49,136)	(38,800)
<b>Balance, end of period</b>	<b>\$ 82,109</b>	<b>\$ 18,306</b>
Short-term portion	17,760	18,306
Long-term portion	64,349	-

The Company entered into an additional lease for lab operations for 36 months effective February 1, 2021 with The University of Calgary. The lease liability has been present valued using a discount rate of 8%.

## 11. 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 to assist with general corporate costs. The Company had the right to prepay the note at any time without penalty and is not subject to any covenants. On March 9, 2021 the Company repaid the amount in full.

## 12. SHARE CAPITAL

### *Authorized share capital*

Unlimited common shares with no par value.

### *Issued and outstanding*

	Number of Shares
	2021
Balance at January 1	41,664,131
Issuance of shares on exercise of stock options/warrants	4,052,300
Issuance of shares by private placement	6,793,300
<b>Balance at March 31</b>	<b>52,509,731</b>

Share capital transactions during the period ended March 31, 2021 were as follows:

On February 8, 2021, the Company closed its brokered private placement by issuing 6,793,300 units at a price of \$1.185 per unit for total gross proceeds of \$8,050,061. Each unit was comprised of one common share and 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 \$1.65 for a period of 24 months following the date of issuance. Share issue costs comprised of \$734,001 cash, and 567,931 broker warrants were issued in connection with the closing (valued at \$1,313,599 using Black Scholes). Broker warrants issued carry the same terms as the unit warrants. As the closing price of the Company's shares on February 8, 2021 exceeded the unit price of the private placement (\$3.45 and \$1.185 respectively), no residual value was allocated to the warrants.

During the period the Company issued 4,052,300 common shares pursuant to the exercise of 4,052,300 stock options and warrants at a price ranging from \$0.40-\$1.40 per share. Total proceeds received were \$2,167,199. The share issue costs attributable to the shares issued totaled \$119,600.

### Share Purchase Warrants

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

	<b>March 31, 2021</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Warrants, beginning of year	<b>6,767,300</b>	<b>\$ 0.93</b>
Issued in connection with the private placement	<b>6,793,300</b>	<b>1.65</b>
Brokers' warrants	<b>567,931</b>	<b>1.65</b>
Exercised	<b>(2,869,050)</b>	<b>0.58</b>
Warrants, end of period	<b>11,259,481</b>	<b>\$ 1.49</b>

Notes to Condensed Consolidated Interim Financial Statements  
For the three months ended March 31, 2021 and 2020  
(Expressed in Canadian Dollars - Unaudited)

The share purchase warrants outstanding and exercisable as at March 31, 2021:

Grant date	Number of warrants outstanding	Exercise price	Expiry date	Weighted average life of warrants (years)	Number of warrants exercisable
April 4, 2019	4,500	\$ 0.45	Apr 4, 2021	0.01	4,500
December 19, 2019	175,000	\$ 0.60	Dec 19, 2022	1.72	175,000
March 2, 2020	804,000	\$ 0.60	Sep 2, 2022	1.42	804,000
March 2, 2020	14,750	\$ 0.40	Sep 2, 2022	1.42	14,750
December 17, 2020	2,900,000	\$ 1.40	Dec 17, 2022	1.72	2,900,000
February 8, 2021	7,361,231	\$ 1.65	Feb 8, 2023	1.86	-
	<b>11,259,481</b>	<b>\$ 1.49</b>		<b>1.79</b>	<b>3,898,250</b>

The weighted average life of warrants outstanding is 1.79 years (2020 – 1.54).

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

Period ended March 31, 2021	
Risk-free interest rate	0.28%
Expected stock price volatility	94.73%
Expected life	1.95 years
Fair value per warrant granted	\$2.31
Forfeiture rate	0%

### **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 have various vesting provisions depending on role within the organization.

Notes to Condensed Consolidated Interim Financial Statements  
For the three months ended March 31, 2021 and 2020  
(Expressed in Canadian Dollars - Unaudited)

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

The share options outstanding as at:

	March 31, 2021		December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	2,938,000	\$ 0.48	1,915,000	\$ 0.42
Granted	1,285,000	\$ 1.99	1,903,000	\$ 0.52
Exercised	(1,183,250)	\$ 0.44	(780,000)	\$ 0.41
Expired	-	-	(100,000)	\$ 0.40
Options outstanding, end of period	3,039,750	\$ 1.13	2,938,000	\$ 0.48

The share options outstanding and exercisable as at March 31, 2021:

Grant date	Options outstanding	Exercise price	Expiry date
August 21, 2018	45,000	\$ 0.40	August 21, 2021
December 27, 2018	125,000	\$ 0.40	December 27, 2021
May 31, 2019	50,000	\$ 0.43	May 31, 2022
November 11, 2019	100,000	\$ 0.40	November 11, 2022
April 22, 2020	120,000	\$ 0.40	April 22, 2022
April 22, 2020	118,000	\$ 0.40	October 21, 2022
April 22, 2020	500,000	\$ 0.40	April 22, 2023
August 15, 2020	25,000	\$ 0.40	August 15, 2022
August 24, 2020	30,000	\$ 0.40	August 24, 2022
November 9, 2020	650,000	\$ 0.70	November 9, 2023
January 8, 2021	85,000	\$ 1.08	January 8, 2023
January 13, 2021	831,750	\$ 1.38	January 13, 2024
February 8, 2021	35,000	\$ 3.20	February 8, 2024
February 17, 2021	200,000	\$ 3.80	February 17, 2024
March 1, 2021	100,000	\$ 3.57	March 1, 2024
March 19, 2021	25,000	\$ 3.00	March 19, 2024
<b>Outstanding, End of Period</b>	<b>3,039,750</b>	<b>\$ 1.13</b>	
<b>Exercisable, End of Period</b>	<b>1,857,250</b>		

The weighted average life of options outstanding is 2.27 years (2020 – 1.47).



Notes to Condensed Consolidated Interim Financial Statements  
 For the three months ended March 31, 2021 and 2020  
 (Expressed in Canadian Dollars - Unaudited)

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

Period ended March 31, 2021	
Risk-free interest rate	0.28%
Expected stock price volatility	91.29% - 97.61%
Expected life	2.31 years
Fair value per option granted	\$0.63 - \$2.73
Forfeiture rate	0%

During the period ended March 31, 2021, the Company recorded \$965,361 in share-based compensation expense for the options vested during the period.

### 13. MANAGEMENT COMPENSATION

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 three months ended March 31, 2021 and 2020, the remuneration of the key management personnel were as follows:

Three months ended March 31,	2021	2020
Management salaries and benefits (i)	\$ 74,872	\$ 72,500
Consulting fees (ii)	20,000	21,600
Share-based compensation	60,457	-
<b>Total</b>	<b>\$ 155,329</b>	<b>\$ 94,100</b>

- (i) On January 1, 2021, the Company entered into employment agreements with the CEO and the VP of Project Development of the Company that ratify annual compensation of \$167,750 and \$152,500 plus benefits respectively.
- (ii) On January 1, 2021, the Company entered into an agreement with Evrota Energy Ltd. to provide part-time CFO services and other consulting services on a contract basis. For the period ended March 31, 2021, the Company paid \$20,000 in fees to Evrota Energy (2020 - \$21,600 in fees to the CFO Centre).

### 14. FINANCIAL RISK AND CAPITAL MANAGEMENT

As at March 31, 2021, the Company's financial instruments include cash, restricted cash, receivables, trade payables and accrued liabilities, long-term notes payable and due to related parties. Cash, restricted cash and receivables are classified as financial assets at amortized cost. Trade payables and accrued liabilities, long-term notes payable and due to related parties are classified as amortized cost.

The carrying value of these financial instruments approximates their fair value due to their short-term maturity.

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

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and receivables. The Company minimizes its exposure to credit risk by placing its cash with 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 March 31, 2021, the Company had cash of \$15,054,142 (December 31, 2020 - \$6,467,377).

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. Gross amounts receivable of \$96,648 (December 31, 2020 - \$52,929).

*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 and long-term notes payables, which earns/bears interest at a variable rate. Based on the cash/loan balance at March 31, 2021, 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 March 31, 2021, the Company had a working capital of \$14,838,848 (December 31, 2020 - \$6,463,158). At March 31, 2021, the Company had a cash balance of \$15,054,142, which is sufficient to pay its current liabilities of \$456,030, and to continue operations through 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.

### **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 March 31, 2021. The Company is not subject to any externally imposed capital requirements.

### **15. SUBSEQUENT EVENTS**

On April 8, 2021, E3 Metals was awarded a government grant totaling \$1,800,000 from Alberta Innovates in support of E3 Metals' direct lithium extraction technology. The grant will be used for pilot plant development and continued technology development.