



Management Discussion and Analysis
For the year ended December 31, 2019

This Management Discussion and Analysis (“MD&A”) of E3 Metals Corp. (the “Company” or “E3 Metals”) provides a summary of the activities, results of operations and financial condition of the Company as at and for the years ended December 31, 2019 and 2018. The MD&A has been prepared by management as of April 9, 2020, and should be read together with the audited consolidated financial statements for the years ended December 31, 2019 and 2018 and related notes thereto, which are prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are stated in Canadian Dollars unless otherwise indicated.

The Company is an exploration company engaged in the acquisition and exploration of resource properties. The Company’s shares trade on the TSX Venture Exchange (the “Exchange”) under the trading symbol “ETMC”.

Forward-looking statements

These forward-looking statements are based on current expectations and various estimates, factors and assumptions, and involve known and unknown risks, uncertainties and other factors. All statements, other than statements of historical fact, included herein, including without limitation, statements about the Company’s ability to effectively implement its planned exploration programs; unexpected events and delays in the course of its exploration and drilling programs; the ability of the Company to raise the capital necessary to conduct its planned exploration programs and to continue exploration on its properties; the failure to discover any significant amounts of lithium or other minerals on any of the Company’s properties; the fact that the Company’s properties are in the exploration stage and exploration and development of mineral properties involves a high degree of risk and few properties which are explored are ultimately developed into producing mineral properties; the fact that the mineral industry is highly competitive and E3 Metals will be competing against competitors that may be larger and better capitalized, have access to more efficient technology, and have access to reserves of minerals that are cheaper to extract and process; the fluctuations in the price of minerals and the future prices of minerals; the fact that if the price of minerals decreases significantly, any minerals discovered on any of the Company’s properties may become uneconomical to extract; the continued demand for minerals and lithium; that fact that resource figures for minerals are estimates only and no assurances can be given than any estimated levels of minerals will actually be produced; governmental regulation of mining activities and oil and gas in Alberta and elsewhere, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; environmental regulation, which mandate, among other things, the maintenance of air and water quality standards and land reclamation, limitations on the general, transportation, storage and disposal of solid and hazardous waste; environmental hazards which may exist on the properties which are unknown to E3 Metals at present and which have been caused by previous or existing owners or operators of the properties; reclamation costs which are uncertain; the fact that commercial quantities of minerals may not be discovered on current properties or other future properties and even if commercial quantities of minerals are discovered, that such properties can be brought to a stage where such mineral resources can profitably be produced there from; the failure of plant or equipment processes to operate as anticipated; the inability to obtain the necessary approvals for the further exploration and development of all or any of the Company’s properties; risks inherent in the mineral exploration and development business; the uncertainty of the requirements demanded by environmental agencies; the Company’s ability to hire and retain qualified employees and consultants necessary for the exploration and development of any of E3 Metals’ properties and for the operation of its business; and other risks related to mining activities that are beyond the Company’s control.

Forward-looking statements contained herein are made as of the date of this MD&A, and the Company disclaims any obligation to update any forward-looking statements, except as required by law, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Corporate Summary

The Company was incorporated on August 19, 1998 under the laws of British Columbia. The Company is presently a "Venture Issuer", as defined in NI 51-102.

The Company has a wholly-owned Mexican subsidiary, Mexigold Resources SA de CV ("MAU Mexico"), incorporated on March 4, 2011. MAU Mexico is inactive with no assets or liabilities. The Company had a Canadian subsidiary, 0904254 BC Ltd. ("0904254 BC"), incorporated on March 1, 2011. During the year ended December 31, 2018, 0904254 BC was dissolved. The Company owns 99% and 0904254 BC owned 1% of MAU Mexico.

Effective July 9, 2015, the Company's listing was transferred to the NEX board of the Exchange ("NEX") in accordance with TSX-V Policy 2.5 as the Company was not able to maintain the requirements for a TSX-V Tier 2 company. The Company was listed on NEX under the symbol SAV.H.

On August 22, 2016, the Company changed its name from Mexigold Corp. to Savannah Gold Corp. and its stock symbol from MAU.H to SAV.H. The Company also consolidated its share capital on a ratio of one new post-consolidated common share for every two old pre-consolidated common shares.

Effective March 3, 2017, the Company consolidated its share capital on a ratio of five old common shares for every one new post-consolidated share. On completion of the consolidation, the Company had 3,046,021 issued and outstanding common shares.

On May 30, 2017, the Company completed a Fundamental Acquisition (as that term is defined in the policies of the Exchange) (the "Transaction") with 1975293 Alberta Ltd. ("Alberta Co"), whereby all outstanding securities of Alberta Co. have been exchanged for securities of the Company pursuant to a Definitive Share Exchange Agreement dated May 8, 2017 and through the Transaction acquired the Alberta Lithium Project. The Company changed its name to E3 Metals Corp. and upgraded its listing to Tier 2 of the Exchange subsequent to the closing of the Transaction.

As part of the Transaction, the Company paid Alberta Co. \$150,000 in cash to settle its outstanding debt owed to Revere Development Corp., issued a total of 6,000,000 common shares of the Company (the "Escrow Shares") and 600,000 share purchase warrants in exchange for all of the issued and outstanding shares and share purchase warrants of Alberta Co.

Alberta Lithium Project

The Alberta Lithium Project is a lithium brine project being developed on the backbone of the oil and gas industry in Alberta, Canada. Development and eventual construction aimed for this project differs very little in practice from the oil and gas industry as it involves much of the same types of infrastructure and know-how already well established locally. The social licence is therefore well established and E3 Metals anticipates being permitted under the same governing body.

Utilizing its proprietary Direct Lithium Extraction (“DLE”) Ion-Exchange Technology, the Company is developing a new source of lithium extracted from brine water reservoirs underlying oil and gas fields in Alberta. E3 Metals goal is to develop a process for the commercial production of high purity lithium products fed directly into lithium-ion batteries for the growing electrification of transportation, thus capitalizing on projection of significant increases in demand for these products.

In 2017, the Company acquired a 100% interest in its Alberta Lithium Project covering the Leduc reservoir in south-central Alberta, comprising 68 Alberta Metallic and Industrial Mineral Permits (“MIM Permits”) totaling 554,801 hectares (5,548 square kilometers) in the following areas:

- Central Clearwater: 21 contiguous permits totaling 157,305 hectares;
- Exshaw West: 18 contiguous permits totaling 142,285 hectares;
- North Rocky: 24 contiguous permits totaling 184,022 hectares;
- Sunbreaker: 2 contiguous permits totaling 15,678 hectares; and
- Drumheller: 8 contiguous permits totaling 55,511 hectares.

A map of outlining the approximate locations of the major permit areas is shown below:



- 1 – Central Clearwater Resource Area
- 2 – North Rocky Resource Area
- 3 – Exshaw West Resources Area

As part of the acquisition of the Central Clearwater MIM permits, the Company signed a Royalty Agreement pursuant to which it has agreed to pay to the royalty owner a perpetual production royalty equal to 2.25% (the “Royalty”) of the gross proceeds from all products that are extracted from seven specific Clearwater MIM permits.

The Company has the option, at any time before September 30, 2020, to purchase all or a portion of the royalty at a price of:

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

The five project areas were specifically selected, and were of the first to be staked in the region due to their ability to deliver the large volumes of water. Historical lithium concentrations in the region range as high as 135mg/L within the Leduc reservoir. Ease of on-the-ground access in combination with the large amount of existing infrastructure and well data associated with the production of oil and gas is the reason E3 Metals has focused its efforts in the region. Combining this with the Company’s DLE processing technology, the company plans on developing the first commercial lithium production in Alberta.

Inferred Mineral Resource Estimates

In 2017, the Company completed two National Instrument 43-101 inferred mineral resource estimates of a combined 2.83 million tonnes of LCE. This includes the Central Clearwater Resource Area: 4,617,079,087 cubic metres (4.6 cubic kilometres) of brine formation water at an average grade of 77.4 milligrams per litre for 1.9Mt of lithium carbonate equivalent (“LCE”). In the North Rocky Resource Area: 3,312,431,608 cubic meters (3.3 cubic kilometers) of brine formation water at an average grade of 52.9 milligrams per litre for 0.93Mt of LCE. Elemental lithium is converted to lithium carbonate by multiplying by 5.323, typically referred to as lithium carbonate equivalent (“LCE”).

In May 2018, the Company completed a third National Instrument 43-101 inferred mineral resource estimate of 3.9 million tonnes (“Mt”) LCE in the Exshaw West resource area. The magnitude of this new resource area, in addition to the North Rocky and Central Clearwater resource areas, demonstrates the project's significant lithium production potential.

E3 Metals total combined inferred lithium mineral resources (over covering the Rocky Property, Clearwater Property and Exshaw West Property) is 6.7 Mt LCE and includes covers only approximately 34% of E3 Metals total Alberta ' Petro-Lithium Project Area.

The Company plans to evaluate the potential to upgrade portions of its inferred resource to measured and indicated in 2021.

The Company's NI 43-101 technical reports for the Central Clearwater, North Rocky and Exshaw West project areas are filed on the Company's SEDAR profile (www.sedar.com) as well as on the Company's website (www.e3metalscorp.com).

Development of Lithium Extraction Technology

With a large potential source of lithium secured, management's focus has shifted to demonstrating the technological viability of the project. E3 Metals' process of delivering high grade lithium hydroxide or carbonate to the market is being developed as three major steps. The first step involves pumping the brine to surface using new or existing infrastructure, or a combination of both. This process is well understood in Alberta through oil and gas production which has demonstrated that large volumes of brine can be cycled to surface and back into the reservoir. The use of existing infrastructure has the potential to reduce the Company's development costs. The second step uses E3 Metals' proprietary DLE technology employing ion-exchange to extract lithium. The process both concentrates the brine and removes the majority of the impurities in one step (see E3 Metals news releases on May 29, 2018, December 4, 2018, March 4, 2019). This technology development is the key link between the existing brine production and readily available technology potentially utilized for the third step of lithium production. The third step is the production of a high purity lithium salt and involves refining the concentrate generated from E3's DLE process to further remove the last of the impurities and produce a high-grade lithium product for direct sale into the battery market. The Company believes the key to the defining a feasible project in the future is the continued development of its' proprietary concentration technology, which has demonstrated it will efficiently concentrate lithium and remove brine impurities. All other process steps may utilize existing technology modified slightly for the specifics of the Alberta Lithium Project.

Livent Transaction

In September of 2019, E3 Metals signed a Joint Development Agreement with Livent Corporation. As a result of the agreement, a jointly controlled company was incorporated: 2216747 Alberta Ltd. (“Devco”). The focus of this agreement is for Livent to assist in developing E3's proprietary DLE technology by deploying their significant lithium production expertise.

Joint Development Project

E3 Metals and Livent will jointly accelerate the development of E3's proprietary DLE process and overall lithium production processes through two stages of development:

- (1) Ion Exchange (IX) Project – The first stage will include finalizing the commercial readiness of the ion exchange sorbent. The sorbent is used to produce a high purity lithium concentrate from Alberta brine; and
- (2) Pilot Plant Project – The second stage will include the construction and operation of a custom pilot plant deployed in Alberta for testing the IX Process and further processing of the concentrate into a saleable lithium product at a larger scale. The result of this stage will be a detailed process overview and economic development plan for E3's Alberta Lithium Project.

Investment Agreement

Livent will contribute up to US\$ 5.5 million to fund the Joint Development Project. On satisfaction of the full US\$ 5.5 million in funding and completion of the Joint Development Project, for a period of 90 days, Livent will have the option to convert its investment into 6,229,368 common shares in the capital of E3, representing 19.9% of E3 based on the current share structure (the "Conversion").

Under this arrangement, E3 has no obligation to contribute any funding to the Joint Development Project and should Livent not fulfill the entire US\$ 5.5 million, then:

- (i) Livent is not entitled to the Conversion;
- (ii) E3 has no obligation to return any funds invested by Livent; and
- (iii) all Intellectual Property and jointly developed new IP will revert to E3.

Livent has also been granted additional anti-dilution rights. In the event Livent elects to proceed with the Conversion, Livent can appoint one member to E3's Board of Directors, provided Livent maintains not less than a 5% equity interest. The complete Joint Development Agreement is available on the Company's SEDAR profile at www.sedar.com and a summary was provided in the Company's announcement dated September 13, 2019.

While E3 Metals cannot speculate on the price and issuance of common shares by E3 between now and the time that Livent may convert, the current Conversion price was calculated as \$1.17 per share. This was calculated based on the current USD/CAD exchange rate (USD \$5.5 million = approximately CAD \$7.2956 million) divided by 6,229,368 shares (being the number of shares Livent is currently entitled to convert its investment into). Notwithstanding the foregoing, E3 Metals makes no representations as to the trading price of its shares on the TSX Venture Exchange.

Other Technology Developments and Grant Funding

E3 Metals completed a series of grant-funded projects through 2019 that were initiated in 2018 and have contributed to the advancement the Company's proprietary DLE technology.

In 2018, the National Research Council Canada's Industrial Research Assistance Program ("NRC-IRAP") awarded E3 a technology development grant of \$56,000 to assist in the development of E3's DLE technology. The project completed in August 2019 and E3 received a total of \$55,320 in 2019 under this project.

On April 25, 2019, the Company signed an agreement with NRC-IRAP pursuant to which it would receive up to \$20,000 in 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 and received \$20,000 from NRC during 2019 for this project.

In 2018, the Company was awarded \$100,000 in funding from the National Science & Engineering Research Council (“NSERC”) to support the advancement of the Company’s DLE technology with the University of Alberta. Pursuant to the terms of the grant, the Company provided \$50,000 throughout the term of the project combined with the NSERC \$100,000 contribution to the University of Alberta. The project completed in early 2019.

In 2018, the Company was awarded \$100,000 of grant funding from Alberta Innovates (“AI”), an Alberta provincial funding agency, to assist in the technology development work at GreenCentre Canada. This funding supported the development and scaling of the Company’s DLE technology towards commercialization. The company received \$90,000 in 2019 from AI (2018 – \$10,000).

In August 2019, E3 was awarded a Technology Development Project under GreenCentre Canada's RISE (Raising Innovative and Sustainable Enterprises) program, which involved a 6-month project at no cost to the company to advance E3’s DLE technology. The project completed early in 2020.

Alberta Lithium Project Costs

The following table summarizes the Company’s exploration and evaluation asset expenditures in the permit areas to December 31, 2019:

Alberta Petro-Lithium Project	
Acquisition Costs:	
Balance December 31, 2018	\$ 1,649,009
Permitting costs	3,750
Balance December 31, 2019	\$ 1,652,759
Exploration Costs:	
Balance December 31, 2018	\$ 862,067
2019 expenditures	206,652
Balance, December 31, 2019	\$ 1,068,719
Total, December 31, 2018	\$ 2,511,076
Total, December 31, 2019	\$ 2,721,478

Intangible Assets – Intellectual Property

On December 28, 2018, E3 filed a patent application in the U.S. on technology that was developed in conjunction with the Alessi Lab at the University of Alberta. The patent application was for “Lithium Extraction From Low Grade Petro-Brine by Ion Exchange” and was assigned the Provisional Patent Application No. 62/786,106 (the “IP”). The inventors of the technology working at the Alessi Lab assigned their rights to the technology to the University of Alberta and E3 in February 2019. Previously, in 2017, the University and E3 had entered into a Collaboration Agreement pursuant to which all commercial rights available as a result of the intellectual property subsequently developed through the collaboration, which would include the IP, vested entirely to E3.

On December 20, 2019, the Company filed International PCT Patent Application No. PCT/CA2019/051882 – “Sorbent Compositions, Methods of Manufacture and Use in Extracting and Concentrating Lithium from Brines” with the Canadian Intellectual Property Office.

In 2019, E3 spent \$402,266 on the continuing development of the Intellectual Property; \$313,729 was spent directly by E3; and the Company included its 50% share of the amount spent by Devco - \$88,537. E3 also received \$165,321 in grant funding, which was offset the development costs incurred.

	December 31, 2019	December 31, 2018
Opening balance	\$ -	\$ -
Consultants	286,530	-
Water analysis	20,084	-
Other expenditures	7,115	-
E3's share of IP development expenditures incurred by Devco	88,537	-
	402,266	-
Grants received	(165,321)	-
Balance, end of year	\$ 236,945	\$ -

Financial Information and Analysis

Selected Annual Information

December 31	2019	2018	2017
Net loss	\$ (2,371,778)	\$ (1,379,487)	\$ (1,198,103)
Loss per share	\$ (0.10)	\$ (0.07)	\$ (0.11)
Total assets	\$ 4,479,447	\$ 2,911,363	\$ 2,597,181
Total long term liabilities	\$ Nil	\$ Nil	\$ Nil
Cash dividends declared per common share	\$ Nil	\$ Nil	\$ Nil

The increase in total assets for 2019 is a result of the following:

- The inclusion of 50% of the assets of the Company's 50% owned and jointly operated subsidiary 2216747 Alberta Ltd, including \$916,358 in restricted cash;
- Expenditures totaling \$443,596 on the Company's proprietary Ion Exchange technology; and
- The classification of a Right-of-Use asset (the Company's office lease) totaling \$11,433 pursuant to the requirements of IFRS 16.

Analysis of the Company's financial performance and condition

During the year ended December 31, 2019, the Company reported a net loss of \$2,371,778 or \$0.10 per share compared to \$1,379,487 or \$0.07 per share in 2018, an increase in loss of \$967,304. The increase in loss was a result of increases in expenses to \$2,377,011 (2018 – \$1,457,483),

The increase in expenses funded by cash in 2019 was a mainly a result of the following:

- Consulting fees increased from \$352,450 in 2018 to \$598,951 as a result of a full year of part-time CFO costs and an increase in business development costs over 2018. The Company expects part-time CFO

costs to decrease in 2020 as services provided by The CFO Centre transitions to a fixed monthly retainer. In addition, the Company expects to reduce its business development costs in 2020 as it focuses on its joint development work through Devco;

- Wages and benefits increased to \$480,804 (2018 – \$318,151) as the Company added two fulltime technical employees in 2019. The cash requirements for wages and benefits are expected to decrease as a result of the joint development work, which is funded by Devco;
- Professional fees increased to \$356,713 (2018- \$101,062), as a result of increased legal costs associated with the negotiations required prior to executing the joint development agreement with Livent. Legal costs are expected to decrease significantly in 2020; and
- General and administrative expenses increased to \$162,809 (2018 – \$146,321) as a result of increases in office rent and other office administrative expenses as the Company expanded in 2018. The Company expects rent and office costs to decrease in 2020 as it will move to a new office location in June 2020 which will reduce total rent and associated costs by approximately 50%.

The Company has budgeted approximately \$900,000 for cash expenses in 2020. This does not include the contribution from Devco to the joint DLE development operations, of which 50% will be included in the Company's 2020 financial statements through proportionate consolidation.

Summary of Quarterly Results

The following is a summary of the net losses incurred by the Company for each of the last eight reported quarters:

Quarter ended		Net loss	Loss per share
December 31, 2019	\$	(520,408)	(0.02)
September 30, 2019		(760,561)	(0.04)
June 30, 2019		(677,315)	(0.03)
March 31, 2019		(413,494)	(0.01)
December 31, 2018	\$	(289,432)	(0.01)
September 30, 2018		(476,006)	(0.02)
June 30, 2018		(331,985)	(0.02)
March 31, 2018		(282,064)	(0.02)

Liquidity and Capital Resources

The Company reported a working capital of \$1,054,201 at December 31, 2019 (2018 – \$258,553), representing an increase in working capital of \$795,648. Included in the working capital was \$945,108 in restricted cash, including \$916,358 consolidated from Devco and \$28,750 provided as collateral against a Company credit card. Also included in consolidated working capital is \$40,274 in Accounts Payable and Accrued Liabilities from Devco.

As at December 31, 2019, the Company had net cash on hand of \$1,222,572 compared to cash on hand of \$347,547 at December 31, 2018.

During the year ended December 31, 2018, the Company:

- used \$1,932,927 (2018 - \$1,294,047) in operating activities;
- used \$448,475 (2018 – \$465,306) in investing activities including \$236,945 for intangible assets, \$201,401

for exploration and evaluation expenditures and \$1,128 for office equipment; and

- generated \$3,256,185 (2018 – \$1,502,826) from its financing activities including \$2,253,812 raised from the private placements, \$40,000 from the exercise of stock options offset by \$30,750 in lease liability payments and the repayment of \$4,153 in short term loans. Also included in financing activities is contributed capital from Devco of \$997,275.

The details of cash financing activities incurred during the year ended December 31, 2019 are 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 to acquire one additional common share at a price of \$0.45 until April 4, 2021. As the closing price of the Company's shares on April 4, 2019 exceeded the unit price of the private placement (\$0.40 and \$0.35 respectively), no residual value was allocated to the warrants.
- On July 15, 2019, 100,000 common shares were issued pursuant to the exercise of 100,000 stock options at a price of \$0.40 per share for gross proceeds of \$40,000.
- On December 18, 2019, the Company completed a non-brokered private placement of 2,267,900 units at a price of \$0.40 per unit for aggregate gross proceeds of \$907,160. 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 \$0.60 until June 18, 2022.

The Company is adequately funded to continue operations through 2020 and will require additional funding in 2021.

Risks and Uncertainties

The Company has not had a history of operations or earnings and the overall success of the Company will be affected by its current and future business activities.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including liquidity risk and market risks with respect to its ability to raise capital through equity markets under acceptable terms and conditions. Management monitors its activities and various factors that could impact the risks in order to manage risks and make timely decisions.

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 these institutions, management assesses credit risk of cash as low due to the high credit quality rating the institutions have with the rating agencies. Devco's cash is deposited with a separate Canadian Schedule 1 Chartered Bank than those utilized by the Company. As at December 31, 2019, the Company had cash and restricted cash of \$277,464 (December 31, 2018 - \$347,547) and \$945,108 (December 31, 2018 - \$Nil) respectively.

The Company's secondary exposure to credit risk is on its receivable balance. This risk is minimal as receivables consist of refundable government sales taxes of \$34,087 (December 31, 2018 - \$14,092) as well as a trade receivable \$8,500 (December 31, 2018 - nil).

Currency risk

The Company's current direct operations are not exposed to significant foreign currency risk. The majority of Devco's cash is held in \$US, so the Company is exposed to \$CDN/\$US foreign currency risk on 50% of Devco's cash. Devco does not have any hedging facilities in place.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The fair value of the Company's financial instruments is relatively unaffected by changes in interest rates. The Company is exposed to interest rate risk on its bank deposit, which earns interest at a variable rate. Based on the cash balance at December 31, 2019, the effect of a 10% fluctuation in interest rates would not be material.

Liquidity risk

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

As at December 31, 2019, the Company had a working capital of \$1,054,201 (December 31, 2018 - \$258,553). As at December 31, 2019, the Company had a cash balance of \$277,464 (2018 - \$347,547) and restricted cash \$945,108 (2018 - \$Nil), which is sufficient to pay its current liabilities of \$455,693 (2018 - \$122,501) and to continue operations in the short-term. The Company is adequately funded to continue operations through 2020 and will require additional funding in 2021.

As a result of the Joint Development Agreement with Livent, the Company expects that Devco will have sufficient funds to finalize the Direct Lithium Extraction technology development and confirm commercial feasibility of the technology through the construction of a pilot plant.

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.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Transactions with Related Parties

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

During the year ended December 31, 2019 and 2018, the remuneration of the key management personnel was as follows:

Year ended December 31,	2019	2018
Management salaries and benefits (i)	\$ 313,245	\$ 301,600
Consulting fees (ii)	95,760	30,150
Share-based compensation (iii)	34,718	33,524
Administrative fees (iv)	-	18,750
Total	\$ 415,723	\$ 384,024

- (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 year ended December 31, 2019, the Company paid gross management salaries and benefits of \$313,245 (2018 - \$301,600) pursuant to these agreements.
- (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 year ended December 31, 2019, the Company paid \$95,760 (2018 - \$30,150) in fees pursuant to the agreement of which \$80,100 related to 2019 services.
- (iii) The Company recognised share-based compensation of \$34,718 (2018 - \$33,524) on the vested portions of the stock options granted to the CEO, CFO and VP Corporate Affairs and Exploration of the Company for the year ended December 31, 2019.
- (iv) Effective July 1, 2015, the Company had a 3 year-term agreement with Varshney Capital Corp. ("VCC"), a company partially controlled by a common director, to provide management and administrative services to the Company in exchange for a monthly fee of \$2,500 and \$3,000, respectively. On March 1, 2017, the Company terminated its management and administrative services agreement with VCC and paid a reduced management service fee of \$500 for the month of February 2017.

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

During the year ended December 31, 2019, the Company paid \$Nil (2018 - \$18,750) for administrative fees to VCC.

At December 31, 2019, a total of \$15,109 (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.

During the year ended December 31, 2018, 25,000 share purchase warrants were exercised by the VP of Project Development at \$0.30 per share for gross proceeds of \$7,500.

Subsequent Events

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.

On March 2, 2020, the Company closed of 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 is 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 Warrants.

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 has temporarily ceased all non-essential travel and have implemented a work from home program for all staff. 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.

On March 23, 2020, Alberta Energy announced it would offer one-year extensions for Metallic and Industrial Mineral permits expiring from March 20, 2020 up to and including December 31, 2020. The Company will make application for these extensions, which will defer certain MIM expenditures.

Proposed Transactions

The Company does not have any proposed transactions, however it is in discussions with a number of strategic companies regarding the commercialization of its project development in Alberta.

Critical Accounting Estimates

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Changes in Accounting Policies including Initial Adoption

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. The modified retrospective approach does not require restatement of prior period financial information and recognizes the cumulative effect of IFRS 16 prior to January 1, 2019 as an adjustment to the opening retained deficit and applies the standard prospectively.

The Company has an office lease which expires May 1, 2022 and has determined that the office lease is a finance lease based on the following:

- The lease is for an identifiable asset;
- E3 is the beneficiary of all the economic benefits of the lease;
- Subject to the terms of the lease, E3 has the right to direct the use of the asset; and
- The lessor does not have substitution rights.

On adoption, the Company recorded a lease liability of \$92,273 to reflect the present value of the remaining lease payments, discounted at E3's incremental borrowing rate of 8%. It also recorded a right of use asset of \$86,934. On a monthly basis, the company reduces the lease liability as monthly lease payments are made and records interest expense on the outstanding amount of the liability using the incremental borrowing rate. It also records amortization expense of the right of use asset on a straight-line basis utilizing the initial five year term of the lease. The incremental borrowing rate was determined by using the rate of a short-term loan the Company entered into in 2018 and which was retired in 2019.

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

The terms of the Company's 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.

Going concern

As at December 31, 2019, the Company has not generated revenues from operations and has an accumulated deficit of \$19,923,250 (December 31, 2018 – \$17,546,133) including a net loss of \$2,371,778 (2018 – \$1,379,487) incurred during the year ended December 31, 2019. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company may continue to have capital requirements in excess of its currently available resources. The Company will require financing to continue its business plan in 2021, and there can be no assurance that such financing will be available or, if available, that it will be on reasonable terms.

These uncertainties cast significant doubt about the Company's ability to continue as a going concern.

Financial Instruments

The Company's financial instruments include cash and restricted cash, receivables, trade payables and accrued liabilities, lease liability and due to related parties. Trade payables 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.

Other Requirements

Summary of outstanding shares, warrants and stock options as at April 9, 2019:

Authorized - Unlimited common shares without par value

Issued and outstanding common shares: 30,477,400

Share purchase warrants outstanding: 4,238,781

Stock options outstanding: 1,915,000

Additional disclosures pertaining to the Company's management information circulars, press releases and other information are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors, thank you for your continued support.

Signed "Chris Doornbos"

Chris Doornbos

President & CEO