



Management Discussion and Analysis  
For the year ended December 31, 2020

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, 2020 and 2019. The MD&A has been prepared by management as of April 20, 2021, and should be read together with the audited consolidated financial statements for the years ended December 31, 2020 and 2019 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.

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’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; the fact that resource figures for minerals are estimates only and no assurances can be given that 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 Canadian subsidiary, 0904254 BC Ltd. ("0904254 BC"), incorporated on March 1, 2011, and a Mexican subsidiary, Mexigold Resources SA de CV ("MAU Mexico"), incorporated on March 4, 2011, whereby the Company owns 99% and 0904254 BC owns 1% of MAU Mexico. The Canadian subsidiary were dissolved in 2019.

Effective July 9, 2015, the Company's listing was transferred to the NEX board of the Exchange 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. 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. On May 30, 2020, the last of the Escrow Share were released and are now free-trading shares.

**Alberta Lithium Project**

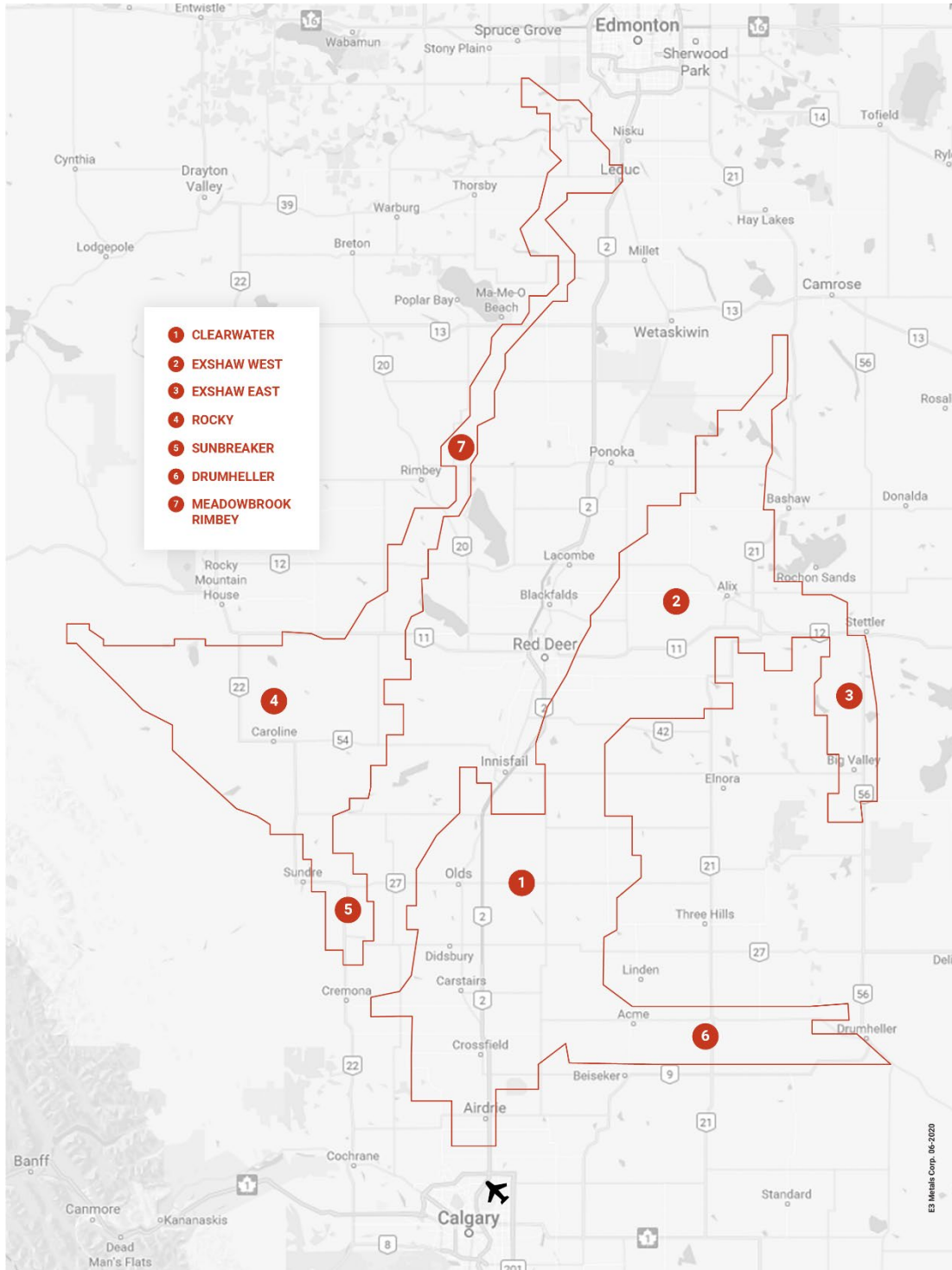
The Alberta Lithium Project is a lithium brine project being developed on the backbone of the oil and gas industry in Alberta, Canada. Development and eventual construction aimed for this project differs very little in practice from the oil and gas industry as it involves much of the same types of infrastructure 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 that can be 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 revolution, thus capitalizing on the projected significant increases in demand for these products.

As of Dec 31, 2020, the Company’s mineral properties are comprised of 80 Mine and Mineral (“MIM”) Permits, which includes the rights for lithium, totaling 570,358 hectares (5,703 square kilometres) that can be further subdivided into six separate sub-properties, or groups of contiguous permits:

- Clearwater Sub-Property: 21 contiguous permits totaling 136,981 hectares;
- Exshaw Sub-Property: 18 contiguous permits totaling 142,285 hectares;
- Rocky Sub-Property: 24 contiguous permits totaling 174,371 hectares;
- Sunbreaker Sub-Property: 2 contiguous permits totaling 15,678 hectares;
- Drumheller Sub-Property: 8 contiguous permits totaling 55,511 hectares; and
- Meadowbrook-Rimbey: 7 contiguous permits totaling 45,532 hectares

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



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.

On September 24, 2020, the Company entered into an extension agreement on the option to purchase all or a portion of the royalty. The agreement provided for amendments to the terms of the royalty purchase option for which the Company paid consideration of \$20,000. The Company has the right, on or before September 30, 2022, to purchase some or all of the royalty at a price of:

- \$800,000 for the entire 2.25% of the Royalty, or
- \$100,000 for each 0.25% of the Royalty, provided that the maximum amount to purchase the entire 2.25% of the Royalty will be \$800,000.

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"). As part of the PEA, outlined below, the Central Clearwater Resource was expanded to 2.2Mt 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](http://www.sedar.com)) as well as on the Company's website ([www.e3metalscorp.com](http://www.e3metalscorp.com)).

### **Preliminary Economic Assessment**

On November 16, 2020, the Company released the Preliminary Economic Assessment (“PEA”) of its 100% owned Clearwater Lithium Project. The PEA outlines the estimated production of 20,000 tonnes per year of battery-quality lithium hydroxide monohydrate (“lithium hydroxide” or “LHM”) over a 20-year period. The Company has filed the PEA on SEDAR on December 21, 2020.

The PEA was prepared by Scovan Engineering, NORAM Engineering and Constructors, GLJ Ltd. and Fluid Domains, each being specialists in their field of practice specific to the development of this project. More detail on the contractors is available at the end of this news release. All values reported are in USD unless otherwise noted.

#### **Highlights:**

- Pre-tax USD 1.1 Billion NPV at 8% discount rate and IRR of 32%, after-tax USD 820M NPV at 8% and IRR of 27%;
- 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 LHM is contemplated being produced from the Clearwater Resource, leaving room for expansion across the Clearwater Resource Area and in E3 Metals’ adjacent Exshaw and Rocky Resource Areas; and
- All-in operating costs of USD \$3,656 per tonne LHM, USD \$73.2 Million annually, including all direct and indirect costs.

### **Preliminary Economic Assessment Results**

	<b>Units</b>	<b>Values</b>
Production	tonnes/year LHM	20,000
Project Life	Years	20
Total Capital Cost (CAPEX)	M USD	\$710.7
Total Initial Capital	M USD	\$602.0
Average Annual Operating Costs (OPEX)	M USD/year	\$73.2
Average Selling Price (LHM)	USD/tonne LHM	\$14,079
Average Annual EBITDA	M USD	\$208.6
Pre-Tax Net Present Value (“NPV”) (8% discount)	M USD	\$1,123.1
After-Tax Net Present Value (“NPV”) (8% discount)	M USD	\$819.9
Cash Operating Costs	USD/tonne LHM	\$3,656
Pre-Tax Internal Rate of Return (“IRR”)	%	32%
After-Tax Internal Rate of Return (“IRR”)	%	27%
Payback Period (After-Tax)	years	3.4

The PEA is preliminary cost estimate and includes inferred mineral resources that are considered too geologically speculative to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty the Clearwater Project outlined by the PEA will be realized. The economic analysis of the PEA is based on the following main assumptions: a) forecast LHM price of USD \$14,079 averaged over the life of the project, b) annual production of 20,000 tonnes per year LHM, c)



commerciality of E3's DLE technology and, d) estimated operating and capital costs for the project based on the most current data available.

### Project Development

The Clearwater Project consists of over 250,000 acres located in south-central Alberta, Canada. The development plan prepared for the PEA includes three main process steps designed to deliver 20,000 tonnes of battery-quality lithium hydroxide monohydrate per year.

- Brine Production & Pre-Treatment:** Based on the large amount of geological data available from oil and gas operations in the Clearwater Resource Area, it is expected that lithium grade is consistent throughout the Clearwater Resource Area and that a series of wells, drilled specifically for the production of brine, would be capable of delivering 3,300 m<sup>3</sup>/day per well. At an average grade of 74.6 mg/L lithium, the project will move just over 128,000 m<sup>3</sup>/day of brine, with additional well production capacity in excess of this. As Direct Lithium Extraction (DLE) processing does not evaporate the water contained within the brine, the lithium void brine is returned to the aquifer through a series of injection wells. This re-injection of lithium depleted brine will serve to maintain pressures and brine production rates in the aquifer. The brine production process step also includes pre-treatment for removal of H<sub>2</sub>S from the brine prior for delivery to the Direct Lithium Extraction (DLE) process.
- Direct Lithium Extraction:** E3 Metals' proprietary Direct Lithium Extraction (DLE) process deploys an ion-exchange process that is highly selective for lithium over competing cations in the brine. Results of this technology have been outlined by E3 Metals in previous announcements. This process produces a highly concentrated lithium solution ("Li-IX solution") with a low level of impurities for delivery to the lithium production process.
- Lithium Production:** There are several stages included in this process step designed to deliver battery-quality lithium hydroxide. The first step includes further concentration of the Li-IX solution, followed by polishing steps to remove the remaining impurities. The solution is then fed into electrolyzers where a highly pure lithium hydroxide solution is formed. From there, the lithium hydroxide solution is crystalized into lithium hydroxide salts. The crystalized lithium hydroxide is then packaged and transported to a nearby rail network where it can be transported to eastern and western shipping ports for international distribution, or south for sale directly into the American market.

### Capital Costs

Capital Costs	Description	Costs (M USD)
Brine Production	Wells, pumps and pipelines	\$192.8
Brine Pre-Treatment	H <sub>2</sub> S Removal	\$117.8
DLE Process (Li-IX)	Primary extraction of lithium from the brine	\$15.6
Lithium Production	Concentration, Polishing, Electrolysis and Crystallization	\$160.9
Power, Site, Transport and Labour Costs	Misc. Site and labour costs	\$35.1
Contingency (25%)	Applied to direct capital costs	\$79.8
<b>Total</b>		<b>\$602.0</b>
Sustaining Capital	Pump replacement, etc	\$108.7



The total initial capital cost of the Project for 20,000 tonnes per year production of LHM is estimated at USD \$602.0 Million, inclusive of direct and indirect costs and contingency. In addition, USD \$108.7 Million of sustaining capital is also estimated, with the majority of this cost associated with the replacement of brine production pumps.

### Operating Costs

Description	Description	Total Annual Costs (M USD)	Cost Per Tonne LHM (USD)
Brine Production	Well, pumps and pipeline	\$19.1	\$954
Brine Pre-Treatment	H <sub>2</sub> S Removal	\$19.9	\$993
DLE Process (Li-IX)	Primary extraction of lithium from the brine	\$8.3	\$414
Lithium Production	Concentration, Polishing, Electrolysis and Crystallization	\$11.3	\$564
Site, Labour and G&A	Power, Site, Transport, Labour and G&A Costs	\$14.6	\$732
<b>Total</b>		<b>\$73.2</b>	<b>\$3,656</b>

A total operating cost of USD \$73.2 Million per year, or USD \$3,656 per tonne LHM, are broken out by each major project step and are inclusive of direct and indirect costs. The majority of the operating costs are associated with reagents required within the system and power consumption.

### Sensitivity Analysis

LHM Price (USD/Tonne)	After-Tax NPV (USD Million)	After-Tax IRR
\$12,000	\$561.8	21%
\$13,000	\$686.2	24%
\$14,079	\$819.9	27%
\$15,000	\$934.0	29%
\$16,000	\$1,058.1	32%

### Mineral Resource Estimation

The inferred mineral resource estimate for the Clearwater Resource Area has been updated to 410,000 tonnes of elemental lithium, an increase of 14%. Using a conversion factor of 5.323, this equates to 2,200,000 tonnes of lithium carbonate equivalent (LCE). Several factors contributed to the updated estimate, including: 1) an expansion of the resource area by 85 km<sup>2</sup> based on additional permits E3 Metals acquired since the initial resource estimate in 2017; 2) new and repeated sampling within the resource area has resulted in an updated average concentration of 74.6 mg/L Li; and 3) updated well network modeling has outlined the ability for the reservoir to produce a larger amount of lithium from brine than was originally envisioned, increasing the production factor from 50% to 80% in some areas.

The resource is classified as inferred because geological evidence is sufficient to imply but not verify geological, grade or quality continuity. It is reasonably expected that the majority of the Inferred Mineral Resource Estimate could be upgraded to Indicated Mineral Reserves with continued exploration.

**Lithium Pricing and Production**

A detailed future pricing study for lithium chemicals was not completed for this PEA. The average price used for future sales of battery-quality lithium monohydrate hydroxide was developed by reviewing pricing data generated from reliable sources as reported in publicly disclosed data collected from peer companies. The future average selling price of USD \$14,079/tonne lithium hydroxide is consistent with that used for publicly released economic assessments of other lithium projects in the previous 4 months. Future selling prices ranging between USD \$12,910/tonne to USD \$17,238/tonne were modelled as part of a sensitivity analysis exercise.

The total production of 20,000 tonnes/year lithium hydroxide is based on recovery of lithium from the enriched brines of the Leduc Aquifer in Alberta. It does not take into account the ability for E3 Metals to increase production of brine and subsequent expansion of production facilities to increase total lithium production. Nor does it contemplate the possibility of including brine streams from oil and gas operators in the area (i.e. oilfield produced water), which could potentially be added to the feed brine stream at a small incremental cost to the company.

**Development of Lithium Extraction Technology**

With a large potential source of lithium secured in 2017, management's focus into 2018 shifted to further developing the DLE technological process required for the primary extraction of lithium from the Alberta brines. 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), producing E3's proprietary Li-IX solution. This technology development is the key link between the existing brine production and industry standard lithium production processes. The third step is the production of a high purity lithium salt and involves refining E3's Li-IX solution by further removing the last of the impurities and producing a high-grade lithium product for direct sale into the battery market. The Company believes that piloting its DLE technology is the key next development step to scaling the technology and project overall towards commercial operations.

**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 was for Livent to assist in developing E3's proprietary DLE technology by deploying their significant lithium production expertise. On January 25, 2021 Livent withdrew from the joint development agreement citing capital allocation constraints. Please see subsequent events below for more information.

**Other Technology Developments and Grant Funding**

E3 Metals completed a series of grant-funded projects through 2018 through to early 2020. The majority of the funding provided was directed to the advancement the Company's proprietary DLE technology.

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.

In 2020, the Company received \$111,700 from the Federal government's Industrial Assistance Program through the National Research Council - IRAP for "COVID-19" salary support. No additional COVID-related subsidies are expected to be received.

### **Alberta Lithium Project Costs**

The following table summarizes the Company's exploration and evaluation asset expenditures in the permit areas to December 31, 2020:

<b>Acquisition Costs:</b>		
Balance December 31, 2019	\$	1,652,759
<b>Balance December 31, 2020</b>	<b>\$</b>	<b>1,652,759</b>
<b>Exploration Costs:</b>		
Balance, December 31, 2019	\$	1,068,719
Engineering Consultants		36,250
Geological Consultants		3,233
Amortization of Licenses		21,871
Capitalized expenses		73,756
<b>Balance, December 31, 2020</b>	<b>\$</b>	<b>1,203,829</b>
Total, December 31, 2019	\$	2,721,478
<b>Total, December 31, 2020</b>	<b>\$</b>	<b>2,876,588</b>

### **Intangible Assets – Intellectual Property**

In 2020, E3 spent \$649,742 on the continuing development of the Intellectual Property; \$nil was spent directly by E3; and the Company included its 50% share of the amount spent by Devco - \$649,742.

	<b>December 31, 2020</b>	December 31, 2019
Opening balance	<b>\$ 236,945</b>	\$ -
Consultants	-	286,530
Water analysis	-	20,084
Other expenditures	-	7,115
E3's share of IP development expenditures incurred by Devco	<b>649,742</b>	88,537
	<b>886,687</b>	402,266
Grants received	-	(165,321)
<b>Balance, end of period</b>	<b>\$ 886,687</b>	<b>\$ 236,945</b>

### **Impairment Analysis**

The Company does not consider its exploration and evaluation assets or intangible assets to be impaired as a result of the COVID pandemic. The Company's ability to realize on the value of these assets is dependent on the successful completion of an economically feasible pilot plant, followed by the construction of commercial lithium production facilities. Based on the current development status of its proprietary direct lithium extraction technology, the Company does not believe that these assets are impaired. Further, the Company's research indicates that the demand for and commodity price of battery-grade lithium has not been negatively impacted by COVID pandemic.

The Company anticipates that a pilot plant will be constructed by Devco in 2021.

### **Selected Financial Information**

December 31	2020	2019	2018
Net loss	\$ (2,095,087)	\$ (2,371,778)	\$ (1,379,487)
Loss per share	\$ (0.07)	\$ (0.10)	\$ (0.07)
Total assets	\$ 10,640,746	\$ 4,479,447	\$ 2,911,363
Total long term liabilities	\$ 150,000	\$ Nil	\$ Nil
Cash dividends declared per common share	\$ Nil	\$ Nil	\$ Nil

### **Analysis of the Company's financial performance and conditions**

During the year ended December 31, 2020, the Company reported a net loss of \$2,095,087 or \$0.07 per share compared to \$2,371,778 or \$0.10 per share in the same 2019 period, a decrease in loss of \$276,691. The Company is in the pre-revenue stage of its business plan and, as such, incurs expenses required to continue its technology development, meet its public reporting obligations and undertake marketing and business development activities. Beginning in May 2020, the Company took steps to significantly reduce its expenses to ensure it could sustain operations into 2021 should it not be able to raise additional capital during the COVID pandemic. Expenses were also reduced as a result of \$111,700 in COVID subsidy funding received from the Federal government's Industrial Assistance Program.

Significant changes in operating expenses during the year ended December 31, 2020 included:

- wages and benefits decreased to \$357,154 in 2020 (2019 – \$480,804) as a result of amounts billed to Devco in 2020 and the aforementioned efforts to reduce expenses beginning in May 2020;
- business development and marketing expenses increased to \$786,487 (2019 – \$296,758) as the Company continues its efforts to raise awareness of the Company to Canadian and US institutional investors;
- share-based compensation increased to \$374,562 in 2020 (2019 – \$283,792) due to the issuance of more share based incentives to employees, officers, directors and consultants;
- general and administrative expenses decreased modestly to \$140,790 in 2020 (2019 - \$162,809) as the Company continued its efforts to conserve cash by reducing its costs to operate;
- professional fees were \$120,752 in 2020 (2019 – \$356,713). In Q2 2020, the Company took steps to cancel the majority of professional contracts to conserve liquidity;

### Summary of Quarterly Results

The following is a summary of certain financial information concerning the Company for each of the last eight reported quarters:

Quarter ended	Net loss	Loss per share
December 31, 2020	\$ (951,293)	(0.04)
September 30, 2020	(369,791)	(0.01)
June 30, 2020	(380,793)	(0.01)
March 31, 2020	(393,210)	(0.01)
December 31, 2019	(520,408)	(0.02)
September 30, 2019	(760,561)	(0.04)
September 30, 2019	(677,315)	(0.03)
September 30, 2019	(413,494)	(0.02)

### Liquidity and Capital Resources

The Company reported a working capital of \$6,463,158 at December 31, 2020 (December 31, 2019 - \$1,041,557), representing an increase in working capital of \$5,421,601.

As at December 31, 2020, the Company had net cash on hand of \$6,717,922 (\$250,545 restricted) compared to cash on hand of \$1,222,572 (\$945,108 restricted) at December 31, 2019.

During the year ended December 31, 2020, the Company:

- used \$1,594,003 (2019 – \$1,932,927) in operating activities;
- used \$807,681 (2019 – \$448,475) in investing activities including \$155,110 for exploration expenditures and \$649,742 in for intangible assets; and
- generated \$7,897,034 (2019 – \$3,256,185) from its financing activities. The funds were received from three private placements completed in 2020 as well as the exercise of 1,906,230 stock options and warrants. It also includes the receipt of a \$150,000 note payable from the Government of Canada.

As the Company does not currently generate revenues, in order for the Company to continue operations beyond 2022, it will require additional equity funding.

### 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 or 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.

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 \$52,929 (December 31, 2019 - \$34,087).

#### *Currency risk*

The Company's current direct operations are not exposed to significant foreign currency risk. A portion of Devco's cash is held in \$US, so the Company is exposed to \$CDN/\$US foreign currency risk on 50% of Devco's \$US cash. Devco does not have any foreign exchange 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, 2020, 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, 2020, the Company had a working capital of \$6,463,158 (December 31, 2019 - \$1,041,557). At December 31, 2020, the Company had an unrestricted cash balance of \$6,467,377, which is sufficient to pay its current cash liabilities of \$394,183. The Company is adequately funded 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.

#### **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 years ended December 31, 2020 and 2019, the remuneration of the key management personnel were as follows:

Year ended December 31,	2020	2019
Management salaries and benefits(i)	\$ 262,764	\$ 233,933
Consulting fees (ii)	116,955	63,000
Share-based compensation	284,415	44,395
<b>Total</b>	<b>\$ 664,134</b>	<b>\$ 341,328</b>

- (i) On May 30, 2017, the Company entered into employment agreements with the CEO and the VP of Project Development of the Company that ratify annual compensation of \$145,000 plus benefits for each individual. Due to COVID-19 in 2020 there was a temporary reduction in salary and benefits. During the year ended December 31, 2020, the Company paid gross management salaries of \$262,764 (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 December 31, 2020, the Company paid \$116,955 (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.

### Subsequent Events

On January 25th, 2021 Livent withdrew from the joint operation with E3 Metals. Per the original executed agreement: upon Livent withdrawal, E3 had the right to purchase any hard assets in Devco from Devco for 50% of the assessed liquidation value and for all Intellectual Property and Developments to be transferred by Devco to E3 for USD \$1.00. This amounted to E3 paying \$4,960 to Livent for their share of the hard assets of Devco upon withdrawal date.

On February 8, 2021, E3 Metals closed an oversubscribed “bought deal” financing for gross proceeds of \$8,050,060 through the issuance of 6,793,300 units. Each unit consisted of one common share as well as a common share purchase warrant where each warrant shall be exercisable to acquire one common share at a price of \$1.65 for a period of 24 months. The capital raised is to support the development of E3 Metals proposed pilot plant project and for general corporate purposes.

On March 9, 2021, E3 Metals repaid in full all outstanding amounts owed to the Western Economic Diversification Canada for \$150,000.

On April 8, 2021, E3 Metals receipt of 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.



**Proposed Transactions**

The Company does not have any proposed transactions, but is in discussions with a number of strategic partners regarding funding development of the Company's lithium resources.

**Critical Accounting Estimates**

Information provided in this report, including the condensed consolidated interim 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.

**Going concern**

As at December 31, 2020, the Company has not generated revenues from operations and has an accumulated deficit of \$22,018,337 (2019 – \$19,923,250) including a net loss of \$2,095,087 (2019 – \$2,371,778) incurred during the year ended December 31, 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 does not anticipate requiring financing to continue its business plan through 2021, but there may be a requirement to raise additional capital in 2022 to fund operations.

**Financial Instruments**

The Company's financial instruments include cash, receivables, trade payables and accrued liabilities, short-term loan, notes payable, 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 December 31, 2020:

Authorized - Unlimited common shares without par value  
Issued and outstanding common shares: 41,664,131  
Share purchase warrants outstanding: 6,767,301  
Stock options outstanding: 2,938,000

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

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

*Signed "Chris Doornbos"*

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**Chris Doornbos**  
President & CEO