



E3 METALS CORP

Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

To the Shareholders of E3 Metals Corp.:

Opinion

We have audited the consolidated financial statements of E3 Metals Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has not generated revenues from operations during the year ended December 31, 2021 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Leanne Bjalek.

Calgary, Alberta

March 28, 2022

MNP LLP

Chartered Professional Accountants

Consolidated Statements of Financial Position

As at

(CAD\$ thousands)	Notes	December 31, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		17,841	6,467
Restricted cash		-	251
Accounts receivable	15	107	53
Due from related parties	14, 15	130	-
Prepaid expense		251	86
		18,329	6,857
Exploration and evaluation assets	5	4,823	2,877
Property and equipment	6	60	5
Intangible assets	7	2,539	887
Right-of-use assets	8	240	15
Total assets		25,991	10,641
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	15	724	310
Due to related parties	14	-	66
Short-term lease obligations	10	109	18
		833	394
Long-term lease obligations	10	157	-
Notes payable	11	-	150
Total Liabilities		990	544
Share capital	12	44,359	28,052
Contributed surplus		5,528	3,141
Contributed capital	9	1,987	997
Accumulated other comprehensive loss		(75)	(75)
Deficit		(26,798)	(22,018)
Total shareholders' equity		25,001	10,097
Total liabilities and shareholders' equity		25,991	10,641

Note 1 – Nature and Continuance of Operations

Note 19 - Commitments

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31

(CAD\$ thousands, except share and per share amounts)	Notes	2021	2020
Expenses			
Business development and marketing		874	787
General and administrative	20	2,021	928
Share-based compensation	13	1,761	375
Financing expenses		21	2
Amortization	6, 8	128	49
Loss (gain) on foreign exchange		12	(16)
Total expenses		4,817	2,125
Other Income			
Interest income		37	1
SR&ED tax credit		-	29
Total other income		37	30
Net loss and comprehensive loss		(4,780)	(2,095)
Per common share (dollars)			
Net loss – basic and diluted		(0.10)	(0.07)
Weighted average number of common shares outstanding			
Basic and diluted		50,235,220	31,028,181

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31

(CAD\$ thousands, except share amounts)	Notes	Number of Common Shares	Share Capital	Contributed Surplus	Contributed Capital	Accumulated Other Comprehensive Income	Deficit	Total
January 1, 2020		27,397,901	20,265	2,760	997	(75)	(19,923)	4,024
Comprehensive loss		-	-	-	-	-	(2,095)	(2,095)
Share issuance	12	12,360,000	7,646	-	-	-	-	7,646
Share issuance costs	12	-	(967)	235	-	-	-	(732)
Exercise of options and warrants	13	1,906,230	1,108	(229)	-	-	-	879
Share-based compensation	13	-	-	375	-	-	-	375
December 31, 2020		41,664,131	28,052	3,141	997	(75)	(22,018)	10,097
Comprehensive loss		-	-	-	-	-	(4,780)	(4,780)
Share issuance	12	6,793,300	8,050	-	-	-	-	8,050
Share issuance costs	12	-	(2,173)	1,313	-	-	-	(860)
Exercise of options and warrants	13	9,302,440	10,430	(687)	-	-	-	9,743
Share-based compensation	13	-	-	1,761	-	-	-	1,761
Additions to contributed capital	9	-	-	-	990	-	-	990
December 31, 2021		57,759,871	44,359	5,528	1,987	(75)	(26,798)	25,001

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31

(CAD\$ thousands)	Notes	2021	2020
Cash Used in Operating Activities			
Net loss		(4,780)	(2,095)
Non-cash items:			
Share-based compensation	13	1,761	375
Amortization	6, 8	128	49
Interest expense on lease obligations	10	17	2
Change in non-cash working capital	20	29	75
Cash flow used in operating activities		(2,845)	(1,594)
Cash Used in Investing Activities			
Acquisition of exploration and evaluation assets	5	(1,099)	(20)
Exploration and evaluation asset expenditures	5	(847)	(135)
Property and equipment expenditures	6	(82)	(3)
Intangible assets expenditures	7	(1,557)	(650)
Acquisition of joint operation, net of cash received	9	222	-
Cash used in investing activities		(3,363)	(808)
Cash from Financing Activities			
Proceeds from share issuance, net of issuance costs	12	7,190	6,907
Repayment of lease obligations	10	(95)	(39)
Proceeds from exercise of options and warrants	13	9,743	879
Government grants	7, 16	643	-
Proceeds (repayment) of long-term notes	11	(150)	150
Cash from financing activities		17,331	7,897
Change in cash and cash equivalents		11,123	5,495
Cash and cash equivalents – beginning of year		6,718	1,223
Cash and cash equivalents – end of year		17,841	6,718

See accompanying notes to the consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

E3 Metals Corp. (“E3 Metals” or the “Company”) was incorporated on August 19, 1998 under the *Business Corporations Act* (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 located at 1520 – 300 5th Avenue SW, Calgary, AB, T2P 3C4.

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 consolidated 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 December 31, 2021, the Company has not generated revenues from operations and has an accumulated deficit of \$26,798 (2020 – \$22,018) including a net loss of \$4,780 (2020 – \$2,095) incurred during the year ended December 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 capital. 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 because 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.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All financial information is presented in Canadian dollars.

The consolidated financial statements have been prepared on a historical cost basis except as disclosed in note 3. The accounting policies summarized in note 3 have been applied to all periods presented in these consolidated financial statements.

The preparation of the consolidated financial statements requires that management make estimates, judgment, and assumptions based on available information. Accordingly, actual results may differ from estimates as future confirming events occur. Significant estimates and judgments used in the preparation of the consolidated financial statements are disclosed in note 4.

These consolidated financial statements were authorized for issue by the Board of Directors on March 28, 2022.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are corporations or other legal entities controlled by the Company through directly holding more than half of voting rights of the entity. Subsidiaries are consolidated from the date when control is acquired by the Company and are de-consolidated from the date that control ceases.

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

The subsidiaries of the Company are as follows:

	Country of Incorporation	Percentage Ownership	
		December 31, 2021	December 31, 2020
1975293 Alberta Ltd.	Canada	100%	100%
Mexigold Resources SA de CV ("Mexigold") ⁽¹⁾	Mexico	100%	100%
2216747 Alberta Ltd. ("ABHI") ⁽²⁾	Canada	100%	50%

(1) Mexigold is inactive and has no assets.

(2) On January 25, 2021, the Company acquired the remaining 50% of ABHI from its joint venture partner. See note 9 for further details.

Functional Currency

The functional currency of each legal entity is measured using the currency of the primary economic environment in which it operates. The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the parent company and its Canadian subsidiaries (1975293 Alberta Ltd. and ABHI). The functional currency of Mexigold is the Mexican Peso.

Joint Operation

The Company accounts for its share of the assets, liabilities and expenditures of a jointly controlled entity using the proportionate consolidation method.

Foreign Currency Translation

Foreign currency transactions are translated into functional currency using the exchange rates at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the consolidated statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss.

Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Translation of Operations with a Different Functional Currency

The financial results and position of foreign operations whose functional currency is different from the Company's functional currency are translated to the Company's presentation currency as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and,
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency reserve in the statement of comprehensive loss. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Cash and Cash Equivalents

Cash includes cash held at financial institutions, term deposits, and other highly liquid investments with maturity of three months or less at the time of purchase.

Cash not available for use as a result of contractual or other specific obligations is separately classified as restricted cash.

Financial Instruments

The Company recognizes financial assets and financial liabilities on the consolidated statement of financial position when the Company becomes a party to the contract. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are removed from the financial statements when the liability is extinguished either through settlement of or release from the obligation of the underlying liability.

Measurement

Financial assets, financial liabilities and derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

Amortized Cost

A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; all contractual cash flows represent only principal and interest. All financial liabilities are measured at amortized cost using the effective interest method except for liabilities incurred for the purposes of selling or repurchasing in the short-term liabilities, if they are held-for trading and those that meet the definition of a derivative.

Fair Value Through Other Comprehensive Income ("FVTOCI")

A financial asset shall be measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest ("SPPI") on the principal amount outstanding.

Fair Value Through Profit or Loss (“FVTPL”)

All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Company may make an irrevocable election to designate an asset at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized.

Financial assets and liabilities are offset and the net amount is reported on the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Impairment

The Company makes use of a simplified approach in recognizing as the lifetime expected credit losses for financial assets measured at amortized cost. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Company assess impairment of financial assets measured at amortized cost on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Exploration and Evaluation Assets (“E&E Assets”)

E&E assets consist of mineral permit acquisition costs and exploration costs directly related to specific properties and are deferred, commencing on the date that the Company acquires legal rights to explore a mineral property, until technical and economic feasibility of extracting a mineral resource is demonstrable, or until the properties are sold or abandoned. All other costs, including administrative overhead are expensed as incurred. E&E assets are not depreciated or depleted. If the properties enter the production phase, they will be reclassified from E&E assets and depletion will commence using the units of production basis based upon proven reserves. If the properties are sold or abandoned, these expenditures will be written off.

An impairment loss is recognized on the Company’s E&E assets when the carrying amount of the asset, or its CGU, exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. Where an item of property and equipment comprises significant components with different useful lives, the components are accounted for as separate items of property and equipment.

Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(CAD\$ thousands, except share amounts and where noted)

The cost of replacing part of an item within property and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed.

All other costs are recognized as an expense as incurred.

Depreciation is calculated at the following rates and basis:

Asset Class	Depreciation Policy
Computer Equipment	55% declining balance
Furniture and Fixtures	20% declining balance
Software Licenses	100% declining balance
Leasehold Improvement	Straight-line over term of lease

Intangible Assets

Development expenditures are capitalized as intangible assets only if the expenditure can be measured reliably, the process is technically and commercially feasible, future economic benefits are probable to the Company and the Company has sufficient resources to complete the development and use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditures are measured at costs less accumulated amortization and any accumulated impairment losses.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right of use asset is measured at cost, where cost comprises (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A lease liability is initially measured at the present value of the unpaid lease payments, discounted using the lessee's incremental borrowing rate applied to the lease liabilities. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs.

The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

Share Capital

The Company records proceeds from share issuances net of share issue costs. Proceeds and issue costs from unit placements are allocated between shares and warrants issued according to their residual value. The residual value is attributed to the value of the warrants. The value of the share component and warrant is credited to share capital with any residual value attributed to the warrant. Upon exercise of the warrant, consideration paid by the warrant holder together with the amount previously recognized is recorded as an increase to share capital. In the event there is a change to the warrant terms (price or exercise date), no change is made to the initial value recognized for the warrant.

Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there are indications of impairment of the long-lived asset CGU it has identified. If indications of impairment exist, the Company estimates the asset's recoverable amount, which is the higher of an asset's or CGU's fair value less costs of disposal and its value-in-use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified. An impairment loss is recognized when the carrying amount of an asset, or its CGU, exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to CGU's and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

Intangible assets with indefinite useful lives, goodwill and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Fair value less costs of disposal represents the value for which an asset could be sold in an arms-length transaction, and is presented as a function of the future cash flows of the proved and probable reserves. Value in use is estimated as the discounted present value of the future cash flows expected to arise from the continued use of the asset or CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and the impairment loss is charged to the statement of net loss and comprehensive loss.

Government Grants

The Company has applied for, and received, grants from various provincial and federal government agencies to assist it in its technology development. These grants are recognized as costs are incurred and/or defined milestones are achieved. Grant funds received are offset against the related costs incurred.

Share-Based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received unless the fair value of the goods or services cannot be reliably measured. The transaction would then be measured at the fair value of the equity instruments issued.

For stock options, the cost of the option is expensed or capitalized as an addition to non-monetary assets depending on the reason for the grant. The corresponding amount is recorded to contributed surplus. The fair value of options granted is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Income Taxes

Tax expense is comprised of current and deferred tax. Taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill and not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting and taxable loss, and differences relating to investments in subsidiary to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

Loss per Share

Loss per share is computed by dividing net loss by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS, AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRS requires the Company to make estimates, judgments, and assumptions concerning the future. The Company's management reviews these estimates, judgments, and assumptions on an ongoing basis by relying on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to estimates are adjusted prospectively in the period in which the estimates are revised.

Going Concern

Management has applied judgment in the assessment of the Company's ability to continue as a going concern when preparing the consolidated financial statements. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considers a wide range of factors relating to current and expected profitability and potential sources of financing.

Joint Arrangements

The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over other companies. Management has used its judgment to determine when control exists and consolidation is required or when the Company has joint control and proportional consolidation is required. Determination of the date that the Company's interest in the subsidiary changed from joint control to control also requires significant judgment.

Amortization of E&E Assets and Internally Developed Intangible Assets

The Company applies judgement with respect to its determination that none of its exploration and evaluation assets or internally developed intangible assets have reached a feasible stage of operations to warrant capitalization as developed and producing assets.

Establishing Cash-Generating Units ("CGU")

For the purpose of assessing impairment of its long-term assets, the Company determines the CGU, defined as being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The determination of the CGU and the classification of the Company's assets to the determined CGU require significant judgment having a potentially significant incidence on the result of the subsequent impairment analysis. The Company periodically reviews the determination of the CGU and the corresponding grouping of the Company's assets, including its assets classified as common assets.

Impairment of E&E Assets

The Company's exploration and evaluation assets are evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amounts is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amounts. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, commodity prices, future plans for the Company's mineral properties and mineral resources and/or reserve estimates.

Impairment of Non-Financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

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Share-Based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires estimates as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the Company's share price and its expected volatility, the risk-free interest rate and expected dividends.

Income Taxes

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

5. EXPLORATION AND EVALUATION ASSETS

Carrying Value	
Balance, January 1, 2020	2,722
Acquisitions	20
Additions	135
Balance, December 31, 2020	2,877
Acquisition	1,099
Additions	847
Balance, December 31, 2021	4,823

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6. PROPERTY AND EQUIPMENT

Cost	Computer Equipment	Furniture and Fixtures	Software Licenses	Leasehold Improvement	Total
Balance, January 1, 2020	21	3	27	15	66
Additions	3	-	-	-	3
Disposals	-	-	-	(12)	(12)
Balance, December 31, 2020	24	3	27	3	57
Additions	44	29	9	-	82
Balance, December 31, 2021	68	32	36	3	139
Accumulated Amortization					
Balance, January 1, 2020	(17)	(1)	(27)	(7)	(52)
Amortization	(3)	(1)	-	(8)	(12)
Disposals	-	-	-	12	12
Balance, December 31, 2020	(20)	(2)	(27)	(3)	(52)
Amortization	(14)	(4)	(9)	-	(27)
Balance, December 31, 2021	(34)	(6)	(36)	(3)	(79)
Carrying Value					
Balance, December 31, 2020	4	1	-	-	5
Balance, December 31, 2021	34	26	-	-	60

7. INTANGIBLE ASSETS

Carrying Value	
Balance, January 1, 2020	237
Additions	650
Balance, December 31, 2020	887
Acquisition (note 9)	738
Additions	1,557
Government grant (note 16)	(643)
Balance, December 31, 2021	2,539

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8. RIGHT-OF-USE ASSETS

Cost	Office and Lab Facility
Balance, January 1, 2020	37
Additions	43
Disposals	(37)
Balance, December 31, 2020	43
Additions	326
Disposals	(43)
Balance, December 31, 2021	326
Accumulated Amortization	
Balance, January 1, 2020	(26)
Amortization	(39)
Disposals	37
Balance, December 31, 2020	(28)
Amortization	(101)
Disposals	43
Balance, December 31, 2021	(86)
Carrying Value	
Balance, December 31, 2020	15
Balance, December 31, 2021	240

9. JOINT OPERATION

Under the terms of the Unanimous Shareholder Agreement (“USA”) entered in September 2019 with FMC Lithium USA Corp (“Livent”), the Company acquired a 50% ownership interest of ABHI. As part of the USA, the Company granted ABHI a perpetual and royalty-free license for its proprietary Ion-Exchange technology. Per *IFRS 11 – Joint Arrangements*, the Company’s ownership interest in ABHI is considered a joint operation and recognizes the assets, liabilities, and expenses in relation to its interest in ABHI through proportionate consolidation.

In October 2019, Livent contributed USD \$1.5 million (approximately CAD \$2.0 million) to ABHI as funding for its research and development project. The contribution was made without recourse and the Company’s share of contribution was recognized as contributed capital.

Livent elected to withdraw from its participation in ABHI in January 2021. The terms of the withdrawal are outlined below per the USA:

- The Company had the right to acquire Livent’s 50% working interest in ABHI for USD \$1.00 dollar free and clear of all encumbrances.
- All ABHI Intellectual Property and developments was transferred to the Company for USD \$1.00 dollar.
- Any remaining funds from Livent’s capital contribution to ABHI shall be for the sole benefit of ABHI.

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The acquisition of Livent's working interest in ABHI was accounted for as an asset purchase since ABHI did not meet the definition of a business per *IFRS 3 – Business Combinations*. The difference between the fair value of ABHI's assets and the Company's consideration was recorded as an addition to contributed capital:

Cash	222
Accounts receivable	30
Intangible assets	738
Total assets acquired	990
Consideration paid ⁽¹⁾	-
Contributed capital	990

(1) Consideration paid was USD \$1.00 dollar.

10. LEASE OBLIGATIONS

Carrying Value	Office and Lab Facility
Balance, January 1, 2020	13
Additions	43
Interest	2
Repayments	(40)
Balance, December 31, 2020	18
Additions	326
Interest	17
Repayments	(95)
Balance, December 31, 2021	266
Short term lease obligations	109
Long term lease obligations	157

The Company's leases relate to the corporate head office and a research lab facility. A discount rate of 8.00% was used to determine the present value of the lease obligations.

11. LONG-TERM NOTES PAYABLE

In September 2020, the Company received a \$150 loan from the Western Economic Diversification Canada agency. The loan can be prepaid at any time without penalty and did not have any covenants. The Company repaid the loan in full in March 2021.

12. SHARE CAPITAL

Authorized Share Capital

Unlimited common shares with no par value.

Number of Shares	2021	2020
Balance, January 1	41,664,131	27,397,901
Exercise of stock options and warrants	9,302,440	1,906,230
Issuance of shares by private placement	6,793,300	12,341,250
Issuance of shares to settle payables	-	18,750
Balance, December 31	57,759,871	41,664,131

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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 gross proceeds of \$8.1 million. Each unit was comprised of one common share and one unit warrant. Each unit warrant entitled 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. The broker warrants carried the same terms as the unit warrants. As the closing price of the Company's common shares on the issue date exceeded the unit price of the private placement, no residual value was allocated to the warrants. Share issuance costs consisted of \$0.7 million in cash and 567,931 broker warrants fair valued at \$1.3 million.

During the year 2021, the Company issued 9,302,440 common shares on the exercise of stock options and warrants with exercise prices between \$0.40 to \$1.65 per share. Total proceeds received were \$9.7 million.

The regulatory fees and legal fees attributable to shares issuance for the year 2021 were \$125.

In December 2020, the Company closed a brokered private placement financing by issuing 6,000,000 units at a price of \$0.85 per unit for gross proceeds of \$5.1 million. Each unit comprised of one common share and one-half of unit warrants. Each whole common share purchase warrant entitled the holder to acquire one additional common share at an exercise price of \$1.40 for a period of 24 months following the date of issuance. Share issuance costs consisted of \$0.3 million in cash and 117,647 common shares. Additional finder's fees of \$73 were attributable to this private placement.

In October 2020, the Company closed a non-brokered private placement financing by issuing 3,336,750 shares at a price of \$0.40 per unit for gross proceeds of \$1.3 million. Share issuance cost consisted of \$56 in cash.

On July 15, 2020, the Company entered into a binding agreement with a creditor to settle \$8 in accounts payable through the issuance of 18,750 common shares at a deemed price of \$0.40 per share. Pursuant to applicable Canadian securities laws, the common shares carried a four-month hold period from their date of issue.

Under certain escrow agreements dated May 30, 2017, 6,000,000 shares issued to the former shareholders of the Alberta Co. were placed in escrow. 10% of the escrowed common shares were released from escrow on the date of the closing of the Transaction and an additional 15% will be released every six months following the Initial Release over a period of 36 months. On May 30, 2020, the final tranche of 900,000 shares were released from escrow.

On March 2, 2020, the Company closed the second tranche of its non-brokered private placement financing announced on November 20, 2019 by issuing 3,004,500 units at a price of \$0.40 per unit for gross proceeds of \$1.2 million. Each unit comprised of one common share and one-half of unit warrants. Each whole common share purchase warrant entitled 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. Share issuance costs consisted of \$21 in cash and 45,000 broker warrants. The broker warrants carried the same terms as the unit warrants. Of the proceeds received, \$225 were allocated to contributed surplus for the warrants granted. The value attributed to the warrants was based on the difference between closing share price of the Company on date the units were issued and the unit price.

During the year 2020, the Company issued 1,906,230 common shares on the exercise of stock options and warrants with exercise prices between \$0.40 to \$0.60 per share. Total proceeds received were \$0.9 million.

The regulatory fees and legal fees attributable to shares issuance for the year 2020 were \$180.

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13. SHARE-BASED COMPENSATION

Warrants

The following table summarizes the change in warrants:

	Warrant (units)	Weighted Average Exercise Price (\$)
Balance, January 1, 2020	4,238,781	0.50
Granted through private placement	4,502,250	1.13
Broker warrants	45,000	0.60
Exercised	(1,126,230)	0.49
Expired	(892,500)	0.41
Balance, December 31, 2020	6,767,301	\$0.93
Granted through private placement	6,793,300	1.65
Broker warrants	778,754	1.43
Exercised	(7,321,190)	1.18
Balance, December 31, 2021	7,018,165	1.43

Warrants outstanding and exercisable as at December 31, 2021:

Grant date	Exercise price (\$)	Expiry Date	Remaining Life (years)	Warrants Outstanding and Exercisable
December 19, 2019	0.60	December 19, 2022	0.97	137,500
March 2, 2020	0.60	September 2, 2022	0.67	737,750
March 2, 2020	0.60	September 2, 2022	0.67	14,750
December 17, 2020	1.40	December 17, 2022	0.96	2,359,749
December 17, 2020	0.85	December 17, 2022	0.96	18,384
February 8, 2021	1.65	February 8, 2023	1.11	3,653,135
June 30, 2021	1.40	December 17, 2022	0.96	94,897
	1.43		1.01	7,018,165

Stock Options

The shareholders of the Company have approved a stock option plan (the "Plan") pursuant to which options can be granted to the Company's directors, officers, employees and other contractors to purchase the Company's common shares. The Company follows the policies of the Toronto Stock Exchange where the number of common shares issued through the options granted under the Plan may not exceed 10% of the issued and outstanding common shares of the Company 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.

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The following table summarizes the change in stock options:

	Stock Options	Weighted Average Exercise Price (\$)
Balance, January 1, 2020	1,915,000	0.42
Granted	1,903,000	0.52
Exercised	(780,000)	0.41
Expired	(100,000)	0.40
Balance, December 31, 2020	2,938,000	0.48
Granted	2,105,000	1.89
Exercised	(1,981,250)	0.51
Forfeited	(116,750)	1.65
Expired	(68,250)	0.95
Balance, December 31, 2021	2,876,750	1.42

The weighted average life of options outstanding is 2.40 years (2020 – 1.47).

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

	2021	2020
Risk-free interest rate	0.21% to 0.84%	0.30% to 1.60%
Expected stock price volatility	92% to 98%	77% to 88%
Expected life	One to four years	Two to three years
Expected dividend yield	-	-
Fair value per option granted	\$0.63 to \$3.00	\$0.08 to \$0.38
Forfeiture rate	2.68%	0%

During the year ended December 31, 2021, the company incurred \$1,761 (2020 - \$375) in share-based compensation expenses in relation to the stock option plan.

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Stock options outstanding and exercisable as at December 31, 2021:

Grant date	Number of Options Outstanding	Exercise price	Expiry date
April 22, 2020	35,000	0.40	April 22, 2022
April 22, 2020	500,000	0.40	April 22, 2023
August 24, 2020	30,000	0.40	August 24, 2022
November 9, 2020	500,000	0.70	November 9, 2023
January 8, 2021	85,000	1.08	January 8, 2023
January 13, 2021	656,750	1.38	January 13, 2024
February 8, 2021	25,000	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
April 19, 2021	50,000	2.05	April 19, 2024
June 23, 2021	645,000	1.70	June 23, 2026
July 1, 2021	25,000	1.77	July 1, 2026
Outstanding, End of Year	2,876,750	1.42	
Exercisable, End of Year	1,338,200	\$ 0.77	

14. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers. During the years ended December 31, 2021 and 2020, the remuneration of the key management personnel were as follows:

Year ended December 31	2021	2020
Salaries and benefits	500	263
Consulting	36	117
Share-based compensation	862	285
Total	1,398	665

Due from related parties of \$130 as at December 31, 2021 (2020 – due to related parties of \$66) were withholding taxes remitted on behalf of employees arising from stock option exercises during the year.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, due to/from related parties, and lease obligations. The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due to/from related parties approximate fair value due to their short-term nature. All of the Company's financial instruments are classified as Level 1 in the fair value measurement hierarchy and there were no transfers between levels for the year ended December 31, 2021. The Company's financial instruments are exposed to credit risk, currency risk, and liquidity risk.

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Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company is exposed to credit risk with respect to its accounts receivable and due from related parties. The accounts receivable outstanding as at December 31, 2021 were refundable tax credits which carry have no credit risk. Due from related parties as at December 31, 2021 were withholding taxes triggered by the Company's current and former employees exercising their stock options. Based on management's assessment, the risk of default by the associated former and current employees was considered low.

Currency Risk

The Company's exposure to foreign currency risk is not considered to be material as it transacts primarily in the Canadian dollar.

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 is to maintain sufficient readily available cash-on-hand in order to meet its liquidity requirements at any point in time.

As at December 31, 2021, the Company had a positive working capital of \$17.6 million (December 31, 2020 - \$6.5 million) and does not foresee a shortfall in capital within the following 12 months.

16. GOVERNMENT GRANT

The Company received \$643 in government grant in 2021 from Alberta Innovates for its efforts in developing and commercializing a technology to address a gap or market need in Alberta. Further grants may be received for completion of certain milestones and will be recognized during the periods in which the Company has achieved the required milestones.

17. CAPITAL MANAGEMENT

The Company's objective is to maintain a strong balance sheet and sufficient liquidity to meet its short and long-term business objectives. Sources of capital for the Company include equity issuance and funding/grants from various government agencies.

18. INCOME TAXES

December 31	2021	2020
Loss before income taxes	(4,780)	(2,095)
Combined statutory tax rate	23.0%	24.0%
Computed tax recovery	(1,099)	(503)
Effects resulting from:		
Share-based compensation	405	90
Non-deductible expenses and other	(82)	(387)
Valuation allowance	776	800
Income tax recovery	-	-

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The Company has the following unrecognized deductible temporary differences and unused losses for which no deferred tax asset has been recognized:

December 31	2021	2020
Exploration and evaluation assets	511	511
Share issuance costs	2,225	517
Investment tax credits	739	940
SR&ED	380	380
Other	27	3
Non-capital loss carry-forward	11,961	9,320
Total	15,843	11,671

The deferred tax asset (liability) is comprised of the following:

December 31	2021	2020
Exploration and evaluation assets	(276)	(281)
Non-capital loss carry-forward	276	281
Total	-	-

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian Loss Carry-Forward	Mexican Loss Carry-Forward	Investment Tax Credits
2022	-	751	276
2023	-	318	46
2024	-	33	117
2025	-	16	240
2026	-	-	59
2027	-	-	-
2028	213	-	-
2029	187	-	-
2030	220	-	-
2031	595	-	-
2032	350	-	-
2033	245	-	-
2034	237	-	-
2035	196	-	-
2036	118	-	-
2037	956	-	-
2038	1,318	-	-
2039	1,844	-	-
2040	1,897	-	-
2041	3,640	-	-
Total	12,016	1,118	738

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19. COMMITMENTS

Pursuant to the terms of the Metallic and Industrial Mineral (“MIM”) Permits, the Company is required to incur exploration expenses during each two-year period to maintain the permits in good standing. The land holdings are expected to be upgraded from permits to leases once commercialization occurs in 2025. The following is a summary of the expense requirements:

	Expenditures
2022	1,191
2023	2,762
2024	1,864
Total	5,817

20. SUPPLEMENTAL DISCLOSURES

The company’s general and administrative expenses consist of the following:

General and Administrative	Year Ended December 31, 2021	Year Ended December 31, 2020
Wages and benefits ⁽¹⁾	624	357
Contract services	1,383	557
Travel and other expenses	14	14
Total	2,021	928

(1) Total wages and benefits were \$1,678 (2020 - \$357), of which \$1,054 (2020 - \$113) were capitalized to intangible assets

The following table provide a detailed breakdown of changes in non-cash working capital:

Changes in Non-Cash Working Capital	Year Ended December 31, 2021	Year Ended December 31, 2020
Accounts receivable	(54)	(11)
Accounts payable and accrued liabilities	414	(110)
Due to/from related parties	(196)	50
Prepaid expenses	(165)	146
Acquired accounts receivable (note 9)	30	-
Total change in non-cash working capital	29	75
Operating activities	29	75
Investing activities	-	-
Total change in non-cash working capital	29	75