



E3 METALS CORP

Interim Consolidated Financial Statements (unaudited)

For the Three and Six Months Ended June 30, 2022 and 2021

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada.

Interim Consolidated Statements of Financial Position (unaudited)

As at

(CAD\$ thousands)	Notes	June 30, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		14,718	17,841
Accounts receivable	14	145	107
Due from related parties	13, 14	98	130
Prepaid expense		468	251
		15,429	18,329
Exploration and evaluation assets	3	8,718	4,823
Property and equipment	4	119	60
Intangible assets	5	3,367	2,539
Right-of-use assets	6	402	240
Total assets		28,035	25,991
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	14	2,710	724
Short-term lease obligations	8	109	109
		2,819	833
Long-term lease obligations	8	334	157
Asset retirement obligations	9	153	-
Total liabilities		3,306	990
Share capital	11	46,446	44,359
Contributed surplus		6,327	5,528
Contributed capital	7	1,987	1,987
Accumulated other comprehensive loss		(75)	(75)
Deficit		(29,956)	(26,798)
Total shareholders' equity		24,729	25,001
Total liabilities and shareholders' equity		28,035	25,991

Note 1 – Nature and Continuance of Operations

See accompanying notes to the interim consolidated financial statements.

Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)

For the three and six months ended June 30

(CAD\$ thousands, except share and per share amounts)	Notes	Three Months Ended		Six Months Ended	
		2022	2021	2022	2021
Expenses					
Operating expenses		92	-	92	-
Business development and marketing		524	230	929	448
General and administrative		770	551	1,247	934
Share-based compensation	12	447	232	824	1,197
Financing expenses		9	4	15	6
Amortization	4, 6	43	42	99	61
Loss (gain) on foreign exchange		(2)	3	1	9
Total expenses		1,883	1,062	3,207	2,655
Other Income					
Interest income		35	9	49	15
Total other income		35	9	49	15
Net loss and comprehensive loss		(1,848)	(1,053)	(3,158)	(2,640)
Per common share (dollars)					
Net loss – basic and diluted		(0.03)	(0.02)	(0.05)	(0.05)
Weighted average number of common shares outstanding					
Basic and diluted		58,968,836	52,846,636	58,137,272	50,314,868

See accompanying notes to the interim consolidated financial statements.



Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)

For the six months ended June 30

(CAD\$ thousands, except share amounts)	Notes	Number of Common Shares	Share Capital	Contributed Surplus	Contributed Capital	Accumulated Other Comprehensive Loss	Deficit	Total
January 1, 2021		41,664,131	28,052	3,141	997	(75)	(22,018)	10,097
Comprehensive loss		-	-	-	-	-	(2,640)	(2,640)
Share issuance	11	6,793,300	8,050	-	-	-	-	8,050
Share issuance costs	11	-	(2,173)	1,313	-	-	-	(860)
Exercise of options and warrants	12	4,510,975	3,043	(431)	-	-	-	2,612
Share-based compensation	12	-	-	1,197	-	-	-	1,197
Additions to contributed capital	7	-	-	-	990	-	-	990
June 30, 2021		52,968,406	36,972	5,220	1,987	(75)	(24,658)	19,446
Comprehensive loss		-	-	-	-	-	(2,140)	(2,140)
Exercise of options and warrants	12	4,791,465	7,387	(256)	-	-	-	7,131
Share-based compensation	12	-	-	564	-	-	-	564
December 31, 2021		57,759,871	44,359	5,528	1,987	(75)	(26,798)	25,001
Comprehensive loss		-	-	-	-	-	(3,158)	(3,158)
Share issuance costs		-	(30)	-	-	-	-	(30)
Exercise of options and warrants	12	1,706,740	2,117	(25)	-	-	-	2,092
Share-based compensation	12	-	-	824	-	-	-	824
June 30, 2022		59,466,611	46,446	6,327	1,987	(75)	(29,956)	24,729

See accompanying notes to the interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows (unaudited)

For the three and six months ended June 30

(CAD\$ thousands)	Notes	Three Months Ended		Six Months Ended	
		2022	2021	2022	2021
Cash Used in Operating Activities					
Net loss		(1,848)	(1,053)	(3,158)	(2,640)
Non-cash items:					
Share-based compensation	12	447	232	824	1,197
Amortization	4, 6	43	42	99	61
Interest expense on lease obligations	8	9	4	15	6
Change in non-cash working capital	17	429	(145)	387	(127)
Cash flow used in operating activities		(920)	(920)	(1,833)	(1,503)
Cash Used in Investing Activities					
Acquisition of exploration and evaluation assets	3	(100)	-	(100)	-
Exploration and evaluation asset expenditures	3	(2,471)	(1,271)	(3,642)	(1,334)
Property and equipment expenditures	4	(71)	(50)	(95)	(66)
Intangible assets expenditures	5	(755)	(212)	(1,328)	(665)
Acquisition of joint operation, net of cash received	7	-	-	-	222
Change in non-cash working capital	17	1,417	-	1,417	-
Cash used in investing activities		(1,980)	(1,533)	(3,748)	(1,843)
Cash from Financing Activities					
Proceeds from share issuance, net of issuance costs	11	(30)	-	(30)	7,196
Repayment of lease obligations	8	(32)	13	(64)	(36)
Proceeds from exercise of options and warrants	12	1,556	439	2,092	2,607
Government grants	5, 15	-	550	500	643
Proceeds (repayment) of long-term notes	10	-	-	-	(150)
Change in non-cash working capital	11, 17	-	-	(40)	-
Cash from financing activities		1,494	1,002	2,458	10,260
Change in cash and cash equivalents					
		(1,406)	(1,451)	(3,123)	6,914
Cash and cash equivalents – beginning of period		16,124	15,054	17,841	6,689
Cash and cash equivalents – end of period		14,718	13,603	14,718	13,603

See accompanying notes to the interim 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.

The subsidiaries of the Company are as follows:

	Country of Incorporation	Percentage Ownership	
		June 30, 2022	December 31, 2021
1975293 Alberta Ltd.	Canada	100%	100%
Mexigold Resources SA de CV (“Mexigold”) ⁽¹⁾	Mexico	100%	100%
2216747 Alberta Ltd. (“ABHI”) ⁽²⁾	Canada	100%	100%
2437798 Alberta Ltd. ⁽³⁾	Canada	100%	-

(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 7 for further details.

(3) A new corporation was established on June 10, 2022

These condensed interim consolidated financial statements (the “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 June 30, 2022, the Company has not generated revenues from operations and has an accumulated deficit of \$30.0 million (December 31, 2021 – \$26.8 million) including a net loss of \$3.2 million (2021 – \$2.6 million) incurred during the six months ended June 30, 2022. 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.

Notes to the Interim Consolidated Financial Statements (unaudited)
June 30, 2022 and 2021

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

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with *International Accounting Standard (“IAS”) 34 – Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). They do not contain all disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2021. 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 of the Company’s audited consolidated financial statements for the year ended December 31, 2021. The accounting policies summarized in note 3 have been applied to all periods presented in these consolidated financial statements.

These consolidated financial statements were authorized for issue by the Board of Directors on August 10, 2022.

3. EXPLORATION AND EVALUATION ASSETS

Carrying Value	
Balance, January 1, 2021	2,877
Acquisitions	1,099
Additions	847
Balance, December 31, 2021	4,823
Acquisition	100
Additions	3,642
Change in asset retirement costs (note 9)	153
Balance, June 30, 2022	8,718

4. PROPERTY AND EQUIPMENT

Cost	Computer Equipment	Furniture and Fixtures	Software Licenses	Leasehold Improvement	Total
Balance, January 1, 2021	24	3	27	3	57
Additions	44	29	9	-	82
Balance, December 31, 2021	68	32	36	3	139
Additions	46	45	-	4	95
Balance, June 30, 2022	114	77	36	7	234
Accumulated Amortization					
Balance, January 1, 2021	(20)	(2)	(27)	(3)	(52)
Amortization	(14)	(4)	(9)	-	(27)
Balance, December 31, 2021	(34)	(6)	(36)	(3)	(79)
Amortization	(28)	(8)	-	-	(36)
Balance, June 30, 2022	(62)	(14)	(36)	(3)	(115)

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Carrying Value					
Balance, December 31, 2021	34	26	-	-	60
Balance, June 30, 2022	52	63	-	4	119

5. INTANGIBLE ASSETS

Carrying Value	
Balance, January 1, 2021	887
Acquisition	738
Additions	1,557
Government grant	(643)
Balance, December 31, 2021	2,539
Additions	1,328
Government grant (note 15)	(500)
Balance, June 30, 2022	3,367

6. RIGHT-OF-USE ASSETS

Cost	Office and Lab Facility
Balance, January 1, 2021	43
Additions	326
Disposals	(43)
Balance, December 31, 2021	326
Additions	226
Balance, June 30, 2022	552

Accumulated Amortization	
Balance, January 1, 2021	(28)
Amortization	(101)
Disposals	43
Balance, December 31, 2021	(86)
Amortization	(64)
Balance, June 30, 2022	(150)

Carrying Value	
Balance, December 31, 2021	240
Balance, June 30, 2022	402

7. 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.

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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.

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.

8. LEASE OBLIGATIONS

Carrying Value	Office and Lab Facility
Balance, January 1, 2021	18
Additions	326
Interest	17
Repayments	(95)
Balance, December 31, 2021	266
Additions	226
Interest	15
Repayments	(64)
Balance, June 30, 2022	443
Short term lease obligations	109
Long term lease obligations	334

The Company's leases relate to the corporate head office and a research lab facility. Additional office spaces were leased during Q1 2022 to accommodate the Company's growing workforce. A discount rate of 8.00% was used to determine the present value of the lease obligations.

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

9. ASSET RETIREMENT OBLIGATIONS

	Six Months Ended June 30, 2022
Balance, January 1, 2022	-
Additions	153
Balance, June 30, 2022	153
Expected to be incurred within one year	-
Expected to be incurred beyond one year	153

The undiscounted and inflated total future liabilities were estimated to be approximately \$0.2 million. The abandonment and reclamation costs are expected to be incurred in the next 10 years.

Asset retirement obligations as at June 30, 2022 were determined using a risk-free rate of 3.23% and inflation rate of 2.00%.

10. LONG-TERM NOTES PAYABLE

In September 2020, the Company received a \$0.2 million 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.

11. SHARE CAPITAL

Authorized Share Capital

Unlimited common shares with no par value.

Number of Shares	Six Months Ended June 30, 2022	Year Ended December 31, 2021
Balance, beginning of period	57,759,871	41,664,131
Exercise of stock options and warrants	1,606,740	9,302,440
Stock options exercised in prior period ⁽¹⁾	100,000	-
Issuance of shares by private placement	-	6,793,300
Balance, end of period	59,466,611	57,759,871

(1) The stock options were exercised in December 2021 but shares not issued until January 2022.

During the six months ended June 30, 2022, the Company issued 1.7 million common shares from the exercise of stock options and warrants with exercise prices between \$0.40 to \$1.65 per share. Total proceeds received were \$2.1 million.

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 0.6 million broker warrants fair valued at \$1.3 million.

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During the year 2021, the Company issued 9.3 million common shares from 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 \$0.1 million.

12. SHARE-BASED COMPENSATION

Warrants

The following table summarizes the change in warrants:

	Warrant (units)	Weighted Average Exercise Price (\$)
Balance, January 1, 2021	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
Broker warrants	143,912	1.65
Exercised	(1,549,740)	1.31
Balance, June 30, 2022	5,612,337	1.39

Warrants outstanding and exercisable as at June 30, 2022:

Grant date	Exercise price (\$)	Expiry Date	Remaining Life (years)	Warrants Outstanding and Exercisable
March 2, 2020	0.60	September 2, 2022	0.18	612,750
March 2, 2020	0.40	September 2, 2022	0.18	14,750
December 17, 2020	1.40	December 17, 2022	0.47	2,246,675
December 17, 2020 ⁽¹⁾	0.85	December 17, 2022	0.47	17,877
February 8, 2021	1.65	February 8, 2023	0.61	2,056,204
February 8, 2021 ⁽²⁾	1.185	February 8, 2023	0.61	425,272
June 30, 2021	1.40	December 17, 2022	0.47	94,897
May 10, 2022	1.65	December 17, 2022	0.47	143,912
	1.39		0.49	5,612,337

(1) Upon exercise of each warrant, the warrant holder is entitled to one common share and one-half additional warrant of the Company. Each additional warrant carries an exercise price of \$1.40 and has the same expiry date as the original warrant.

(2) Upon exercise of each warrant, the warrant holder is entitled to one common share and one additional warrant of the Company. Each additional warrant carries an exercise price of \$1.65 and has the same expiry date as the original warrant.

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

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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.

The following table summarizes the change in stock options:

	Stock Options	Weighted Average Exercise Price (\$)
Balance, January 1, 2021	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
Granted	2,320,000	2.59
Exercised	(57,000)	0.78
Forfeited	(8,500)	1.38
Balance, June 30, 2022	5,131,250	1.96

The weighted average remaining life of options outstanding is 1.96 years (December 31, 2021 – 2.40).

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

	2022	2021
Risk-free interest rate	1.46% to 2.58%	0.21% to 0.84%
Expected stock price volatility	95% to 96%	92% to 98%
Expected life	One to four years	One to four years
Expected dividend yield	-	-
Fair value per option granted	\$1.92 to \$1.96	\$0.63 to \$3.00
Forfeiture rate	2.63% to 3.48%	2.68%

During the six months ended June 30, 2022, the company incurred \$0.8 million (2021 - \$1.2 million) in share-based compensation expenses in relation to the stock option plan.

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Stock options outstanding and exercisable as at June 30, 2022:

Grant date	Number of Options Outstanding	Exercise price	Expiry date
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	626,250	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
January 4, 2022	510,000	2.32	January 2, 2027
June 24, 2022	1,810,000	2.67	June 23, 2027
Outstanding, End of Period	5,131,250	1.96	
Exercisable, End of Period	1,988,900	1.22	

13. RELATED PARTY TRANSACTIONS

Due from related parties of \$0.1 million as at June 30, 2022 (December 31, 2021 – \$0.1 million) were withholding taxes remitted on behalf of employees arising from stock option exercises.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, due from related parties, lease obligations, and asset retirement obligations.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due from related parties approximate fair value due to their short-term nature. Those financial instruments are classified as Level 1 in the fair value measurement hierarchy. Asset retirement obligations are classified as Level 2 in the fair value measurement hierarchy. There were no transfers between levels for the six months ended June 30, 2022.

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

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 June 30, 2022 were refundable tax credits which carry have no credit risk. Due from related parties as at June 30, 2022 were withholding taxes triggered by the Company's current and former employees

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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 June 30, 2022, the Company had a positive working capital of \$12.7 million (December 31, 2021 - \$17.6 million) and does not foresee a shortfall in capital within the following 12 months.

15. GOVERNMENT GRANT

The Company received \$0.5 million in government grant in Q1 2022 from Alberta Innovates for its efforts in developing and commercializing a technology to address a gap or market need in Alberta. A previous grant of \$0.6 million was received in 2021.

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.

16. 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.

17. SUPPLEMENTAL DISCLOSURES

The following table provide a detailed breakdown of changes in non-cash working capital during the three and six months ended June 30:

Changes in Non-Cash Working Capital	Three Months Ended		Six Months Ended	
	2022	2021	2022	2021
Accounts receivable	27	(6)	(38)	(50)
Accounts payable and accrued liabilities	2,052	(126)	1,987	(19)
Due to/from related parties	-	(20)	32	(66)
Prepaid expenses	(233)	7	(217)	(22)
Acquired accounts receivable (note 7)	-	-	-	30
Total change in non-cash working capital	1,846	(145)	1,764	(127)
Operating activities	429	(145)	387	(127)
Investing activities	1,417	-	1,417	-
Financing activities	-	-	(40)	-
Total change in non-cash working capital	1,846	(145)	1,764	(127)

16. SUBSEQUENT EVENTS

Corporate Name Change and Symbol Change

On July 8, 2022, the Company effectively changed its name to “E3 Lithium Ltd.” after receiving shareholder approval during its 2022 annual meeting held on June 24, 2022. On the same day, the Company started trading under its new name and ticker symbol “ETL”.

Strategic Agreement with Imperial Oil Limited (“IOL”)

The Company announced a collaboration with IOL to advance its lithium-extraction pilot in Alberta. Under the agreement, the Company would continue to operate the Clearwater project and retain its IP, with technical and development support from IOL as areas such as water and reservoir management. The agreement also includes access for E3 to freehold lands in the area, which are operated by IOL.

As part of the agreement, IOL has agreed to invest \$6.35 million into E3 at a pre-paid price of \$1.86 per warrant and the issuance of 3,413,979 warrants. Each warrant provides the holder the option to exercise the warrant for one common share of E3. The warrants are immediately exercisable, non-transferrable, expire in 24 months and are non-refundable.

Subject to the TSX Venture Exchange’s approval, E3 will pay a one-time 5% finder’s fee, being equal to \$0.3 million based on the amount of IOL’s investment. The finder has elected to take 25% of the fee in cash and 75% of the fee in common shares of E3. Accordingly, the Company will issue the finder 128,024 shares on closing.

The Company received TSX Venture Exchange approval to issue the prepaid warrants and the 128,024 common shares on July 8, 2022.