



Management's Discussion and Analysis

For the year ended December 31, 2023

PRESIDENT'S MESSAGE

Dear E3 Lithium Shareholders,

Since its founding in 2017, E3 Lithium has made significant advancements in the critical mineral industry. The company has focused on developing the direct lithium extraction tailored to Alberta's brines while simultaneously establishing the Clearwater Project as one of the more advanced lithium projects in Canada. The successful demonstration of our Direct Lithium Extraction ("DLE") technology and brines-to-battery flow sheet last year, culminating in the production of 99.78% pure battery-grade lithium hydroxide, moved the project and E3's development forward with a major leap. The commercial viability of E3 Lithium's Leduc brines and the plans for its first commercial lithium production facility have been significantly de-risked. The EV penetration rate continues to increase and battery facilities in North America and Europe are increasing in number. Last year alone saw Canada make big moves for its own battery manufacturing industry with the announcement of Volkswagen and North Volt, among others, building their facilities here. Therefore, the long-term demand outlook for lithium remains strong. E3 Lithium is strategically positioned to meet this demand. The Company aims to provide a world-class secure and reliable source of lithium, capable of scaling up to meet demand for strong ESG North American sources of critical minerals. This year is unfolding to be another transformative year for E3 Lithium that will further establish the foundation for future growth.

E3 Lithium's team has been hard at work to achieve its goals in 2024, and I am extremely proud of how far we have come as a company. I want to thank our shareholders, as well as the federal and provincial governments, for their continued support. Together, we are moving towards a future where E3 Lithium and its Clearwater Project stands out as one of the few advanced stage lithium projects in North America.

Thank you for your continued support of E3 Lithium.

Sincerely,

Chris Doornbos
President & CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") has been prepared by management as of April 25, 2024 and provides a summary of the activities, results of operations, and financial condition of E3 Lithium Ltd. ("E3 Lithium" or the "Company") and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2023 and 2022 and related notes thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in thousands of Canadian Dollars unless otherwise indicated. The MD&A should also be read in conjunction with "Forward-Looking Statements" below. Additional information about E3 Lithium is available on E3 Lithium's website www.e3lithium.ca and SEDAR at www.sedar.com, including the Company's most recently filed Annual Information Form.

BUSINESS OVERVIEW

E3 Lithium is a lithium resource company with a current focus on commercial development of lithium extraction from brines contained in its mineral properties in Alberta. E3 Lithium's shares are listed on the TSX Venture Exchange under the symbol ETL.

E3 LITHIUM'S STRATEGIC VISION

E3 Lithium's vision is to be a global leader in responsibly sourced lithium, fueling the global transition towards a brighter energy future. The Company is focused on creating long-term, sustainable value for the future by creating a world-class, large-scale, long-life lithium production company. E3 Lithium will be focusing on safe operations, maintaining a strong balance sheet, and taking advantage of the enormous potential across the Company's globally significant asset base.

AN OVERVIEW OF 2023

2023 Highlights: Progression Towards Commercialization

As outlined in E3 Lithium's 2023 guidance announced on [March 2, 2023](#), the Company continues to believe in its comprehensive strategy and focused path to first lithium production. E3 Lithium is well positioned to continue to execute successfully.

E3 Lithium experienced a pivotal year in 2023 that has helped to capitalize on building Western Canada's critical minerals supply chain. E3 Lithium remains committed to spearheading initiatives aimed at strengthening the Company's position for future growth.

Key milestones accomplished:

- **Resource Update:** Upgraded mineral resource to 16.0 million tonnes (Mt) Measured and Indicated ("M&I") of Lithium Carbonate Equivalent ("LCE"). E3 Lithium's resource is the largest in Canada and one of the largest DLE brine projects and M&I mineral resources globally.
- **Battery Quality of Lithium:** Successfully produced 99.78% pure battery quality Lithium Hydroxide Monohydrate ("LHM"). The purity of the solid LHM is a critical factor for the sale of the product into the battery industry, with greater than 99.5% generally accepted to be battery quality.

- **Field Pilot Project:** E3 Lithium tested its DLE technology along with four other technologies at its field pilot plant. The most significant information received from all testing of DLE technologies that E3 Lithium completed was that each achieved technical success, which has significantly de-risked the commercial viability of the Company's Leduc brines and Clearwater Project.
- **Funding:** Awarded \$3.5 million in funding from Natural Resources Canada's Critical Minerals Research Development and Demonstration ("CMRDD") program. E3 Lithium raised more than \$30M CAD through capital raises and grant funding in 2023 and has more than \$20M remaining to draw down on from the Strategic Innovation Fund.

MARKET OUTLOOK

According to Benchmark Mineral Intelligence, the lithium market is set to balance in 2024, as several new projects are expected to enter the market. DLE projects are expected to account for 16% of supply by 2033. In the near term, demand is set to surpass 1Mt LCE by 2024, having experienced a 24% compounded annual growth rate (CAGR) over the last eight years. In the medium-to-long term, strong global electric vehicle growth will continue to support lithium demand over the next 20 years. Global demand is set to grow at 11% CAGR to 2040 and will reach 2Mt by 2027¹.

E3 LITHIUM UNIQUE VALUE PROPOSITION

E3 Lithium holds Canada's largest measured and indicated lithium resource, located in a subsurface brine. Located in Alberta, with similar operations to the petroleum industry, E3 Lithium has a clear path to commercializing lithium production. Once fully operational via several commercial facilities across its operating areas, E3 Lithium anticipates being able to produce up to 150,000 tonnes of battery-grade lithium per year, which is enough to supply 2.2M EVs annually. With 26.3M motor vehicles on Canada's roads², lithium from E3 Lithium alone could convert the nation's entire fleet in less than 12 years.

Alberta's World-Renowned Regulatory and Permitting Process:

Alberta benefits from a well-established permitting and licensing framework managed by the Alberta Energy Regulator (AER). This framework, coupled with the province's extensive experience in the oil and gas industry, creates a supportive regulatory environment and provides a significant advantage for E3's projects. Recently, thanks to Alberta's efficient energy project regulatory process, led by the Government and the AER, E3 Lithium's permits were converted to Brine-Hosted Mineral Licences. This conversion reflects the province's commitment to regulatory certainty and growth of the lithium industry, as the company progresses its regulatory work in 2024.

Innovative Approach to Environmentally Sustainable Lithium Production:

E3 Lithium is prioritizing sustainable development and striving for the highest standards of corporate responsibility. A DLE-based process offers several advantages over traditional methods of lithium extraction. E3 Lithium's approach to lithium production aims to revolutionize the industry with several environmental benefits.

- **Reduced land impact:** A DLE-based process anticipates using less than 3% of the land of a conventional lithium open pit (hard rock) or salar-based (brine) mining project of equivalent capacity. Unlike salars and open pit mines, after operations, E3's land base will be 100% restored to prior land use.

¹ Based on the amount of lithium in a typical 68 kg EV battery, based on a Tesla model 3, 150,000 tonnes of production a year = ~2.2M EV batteries

² Statistics Canada, Automotive Statistics, Vehicle registrations, 2022: <https://www.statcan.gc.ca/en/topics-start/automotive>

- **No freshwater aquifer interaction:** E3's brine resource is found in the Leduc formation, which is 2,500 metres below the surface and is produced via conventionally drilled vertical wells which have no interaction with freshwater aquifers.
- **Closed loop system/no tailings:** E3's process involves reinjecting lithium-void brine directly back into the Leduc formation post DLE, requiring no waste or tailings ponds.
- **Carbon neutral power:** For its first commercial facility, E3 Lithium is exploring options to sequester carbon produced by behind-the-fence natural gas fired generation and/or entering into Power Purchase Agreements ("PPA"s) with renewable electricity generators.

E3 Lithium Strong Financial Position:

In 2023, E3 Lithium raised over \$30 million through a combination of capital raises and grant funding. With \$20 million still available from the Strategic Innovation Fund granted in 2022, the Company is in a favorable financial position in 2024. Additionally, E3 Lithium secured substantial funding of \$3.5 million from Natural Resources Canada's Critical Minerals Research Development and Demonstration ("CMRDD") program, part of the federal Budget 2021 initiative aimed at supporting the development of Canadian critical minerals essential for the energy transition. E3 Lithium was chosen among six organizations across Canada to receive this funding. The Company continues to be committed to sourcing non-dilutive funding avenues to fulfill its ongoing capital requirements.

Diversity, Equity and Inclusion:

E3 Lithium strongly believes in equal opportunity and embracing diversity in our workplace. E3 Lithium's focus on equity and inclusion is core to creating a diverse workplace where team members feel they belong and can build rewarding careers. E3 Lithium firmly upholds the principle that every employee deserves fair treatment based on factors such as their experience and attitude, rather than any biases related to gender, ethnicity, sexual orientation, or other traits. E3 Lithium is proud of its diverse workforce with, as of the end of 2023, over 50% female employees and a broad range of backgrounds. As of April 2024, our board reflects E3 Lithium's commitment to gender diversity with the recent addition of two highly qualified female board members. This deliberate effort not only brings valuable perspectives to our leadership but also sets a clear example of our commitment to gender equality.

2024 Corporate Guidance and Plans to Advance Clearwater Project

E3 Lithium's primary focus is to advance all aspects of its Clearwater Project to achieve commercial operations, as outlined in the Company's 2024 corporate guidance. In 2023, E3 Lithium committed to operating a field pilot plant to test DLE technologies at a continuous scale, demonstrating various extraction methods' technical capability. Operating its proprietary DLE technology alongside third-party options yielded successful results. After evaluating all options, the Company selected a third-party DLE that produced the best technical and economic results for its commercial design. Securing a technology that is at an advanced stage of commercial readiness puts E3 Lithium on a clear and demonstrated pathway to commercial operations.

E3 Lithium plans to advance towards commercialization with the details outlined in the upcoming release of the Prefeasibility Study ("PFS") outlined under NI 43-101 reporting standards. The engineering design in the PFS will outline the best combination of flowsheets producing technical viability and positive economics.

The successful development in the Clearwater area supports the value of the remaining land in the Exshaw (northern Bashaw) and Rocky areas. E3 Lithium believes it has enough brine to produce approximately 150,000

tonnes per annum (tpa) through five to six commercial facilities across its permit areas, with operations projected to continue for decades.

As the Company advances towards commercialization, it has identified several key targets, along with the associated activities and anticipated timeline that it aims to deliver over the coming few years to enable full scale production of lithium products:

2024	2025	2026
<ul style="list-style-type: none"> • Publish Prefeasibility Study (PFS) results • Begin Feasibility Study (FS) • Begin Environmental Surveys • Begin Consultation and Permitting • Begin Contract Negotiations with Customers 	<ul style="list-style-type: none"> • Publish FS Results • Begin detailed engineering • Secure project financing • Procure equipment and materials • Commence commercial drilling program, pending regulatory approvals 	<ul style="list-style-type: none"> • Begin construction of first commercial facility • Continue drilling program and connect wells to commercial facility via pipeline • Subsequent commercial facilities

E3 Lithium’s Advantages Going into 2024:

The demand for electric vehicles (“EV”s) continues to rise as we enter 2024. With North America increasingly aligning its policies with the overarching objective of transitioning to EVs by the 2030s, the momentum toward widespread adoption of electric vehicles is undeniable. As the demand for electric vehicles continues to increase, so does the demand for lithium. E3 Lithium is strategically positioned to capitalize on this global need by aligning its production with the anticipated shortfall in lithium supply. E3 Lithium’s expansive resource area, strong financial balance sheet and support from Alberta's efficient regulatory regime position the Company to spearhead the transition into the electrified future.

IN SUMMARY

In 2024, E3 Lithium will undergo a significant business transformation, transitioning from a technology and resource developer to a commercialization company. E3 Lithium is committed to developing towards sustainable lithium production while maintaining a strong financial position. Supported by our dedicated team, E3 Lithium is focused on moving towards building the first lithium production facility in Alberta and one of the first in Canada. We are confident in our ability to strengthen our position in the lithium industry and deliver high purity, battery grade lithium products from one of the best jurisdictions in the world.

SUMMARY OF OPERATIONS

Operating Expenses

	Three months ended December 31			Year ended December 31		
	2023	2022	% Change	2023	2022	% Change
Operating expenses	(32)	30	(>100%)	216	156	38%

Operating expenses consist primarily of lease rentals, property taxes, repairs & maintenance, and other costs incurred to maintain and operate the Company's lithium evaluation wells and non-core properties. During the three months and year ended December 31, 2023, the Company recognized a minor recovery in expenses and incurred \$0.2 million in operating expenses, compared to \$0.03 million and \$0.2 million in expenses incurred in the prior year comparative periods. The Company recognized higher operating costs during 2023 due to wireline work on its wells in preparation for its field pilot plant.

Business Development and Marketing

	Three months ended December 31			Year ended December 31		
	2023	2022	% Change	2023	2022	% Change
Business development and marketing	563	326	73%	2,682	1,535	75%

Business development expenditures are comprised of costs incurred for building strategic relationships and exploring potential partnership offtake opportunities. Marketing expenditure refers primarily to the costs of advertising, conferences, and external consulting fees incurred for brand building and strategic positioning. For the three months and year ended December 31, 2023, business development and marketing expenses were \$0.6 million and \$2.7 million, respectively compared to \$0.3 million and \$1.5 million in the comparative periods of 2022, as the Company expands on its marketing strategy and relationship development.

General and Administrative

	Three months ended December 31			Year ended December 31		
	2023	2022	% Change	2023	2022	% Change
General and administrative	1,167	1,072	9%	4,049	2,971	36%

General and administrative expenses were \$1.2 million and \$4.0 million for the three months and year ended December 31, 2023, compared to \$1.1 million and \$3.0 million in the year prior comparatives. General and administrative costs increased relative to the prior year due to higher staffing costs, insurance, and general office-related expenditures.

Share-Based Compensation

	Three months ended December 31			Year ended December 31		
	2023	2022	% Change	2023	2022	% Change
Share-based compensation	666	593	12%	2,527	1,985	27%

Share-based compensation refers to compensation expenses resulting from the issuance and vesting of equity-based rewards. For the three months and year ended December 31, 2023, share-based compensation was \$0.7 million and \$2.5 million compared to \$0.6 million and \$2.0 million in the comparable prior year periods.

	Stock Options	Weighted Average Exercise Price (\$)
Balance, January 1, 2022	2,876,750	1.42
Granted	2,750,000	2.57
Exercised	(67,900)	0.91
Forfeited/expired	(533,083)	2.17
Balance, December 31, 2022	5,025,767	1.98
Granted	2,045,000	2.51
Exercised	(1,522,500)	0.89
Forfeited/expired	(732,017)	2.28
Balance, December 31, 2023	4,816,250	2.50

Financing Expenses

	Three months ended December 31			Year ended December 31		
	2023	2022	% Change	2023	2022	% Change
Accretion	(3)	2	(>100%)	4	4	-
Interest on leases	12	11	9%	47	31	58%

Financing expenses relate to interest expense from the Company's vehicle, head office, and laboratory leases as well as accretion on its decommissioning obligations from its evaluation wells and field pilot plant.

Depreciation

	Three months ended December 31			Year ended December 31		
	2023	2022	% Change	2023	2022	% Change
Depreciation	50	42	19%	175	175	-

Depreciation in 2023 remains largely consistent with 2022 comparative periods. The depreciable asset base increased in the prior year as the Company entered into new leases and procured new equipment for its expanding workforce, with minimal additions in the current year.

Other Income

	Three months ended December 31			Year ended December 31		
	2023	2022	% Change	2023	2022	% Change
Interest income	289	91	>100%	658	231	>100%

Interest income results from the Company's short-term savings deposits. Interest income for the three months and year ended December 31, 2023, was \$0.3 million and \$0.7 million, compared to \$0.1 million and \$0.2 million in the prior year. The significant increases were a result of higher average cash on hand during the year and rising interest rates.

Net Loss

The Company incurred a net loss of \$2.1 million and \$0.03 per common share during the three months ended December 31, 2023, compared to a net loss of \$2.0 million and \$0.03 per common share in the prior year period.

The Company incurred a net loss of \$9.0 million and \$0.13 per common share during the year ended December 31, 2023, compared to a net loss of \$6.9 million and \$0.12 per common share in the prior year period.

CAPITAL EXPENDITURES

The Company has three main sources of capital expenditures:

- Exploration and evaluation ("E&E") assets – the acquisition of mineral permits and licenses and pilot plant additions
- Property and equipment ("P&E") – corporate assets such as computer equipment and software
- Intangible assets – costs incurred to further the Company's proprietary DLE technology

	Three months ended December 31			Year ended December 31		
	2023	2022	% Change	2023	2022	% Change
Acquisition	-	-	-	-	100	<100%
E&E expenditures	5,744	1,096	>100%	13,067	10,089	30%
P&E expenditures	14	81	(83%)	47	185	(75%)
Intangible asset expenditures	246	1,396	(82%)	2,508	3,700	(32%)
Total capital expenditures	6,004	2,573	>100%	15,622	14,074	11%

E&E expenditures were \$5.7 million and \$13.1 million for the three months and year ended December 31, 2023, compared to \$1.1 million and \$10.1 million in the comparative prior year periods, respectively. In 2023, the Company incurred higher procurement, construction, and procurement costs as part of its field pilot plant.

Additionally, in March 2023, the Company announced an upgrade of its mineral resource to 16.0 Mt Measured and Indicated ("M&I"), resulting in one of Canada's largest DLE brine projects and M&I mineral resources globally. As a result, the Company incurred higher geological and geophysical costs during the year ended December 31, 2023.

P&E expenditures were \$0.01 and \$0.01 for the three months and year ended December 31, 2023, compared to \$0.1 million and \$0.2 million in the comparative prior year periods, respectively. The Company incurred higher P&E expenditures in the prior year from entering new office space as well as the onboarding of additional staff with no such similar increases in the current year.

For the three months and year ended December 31, 2023, intangible asset expenditures were \$0.2 million and \$2.5 million, respectively compared to \$1.4 million and \$3.7 million during the three months and year ended December 31, 2022, respectively. In the current year the Company's activities shifted towards testing intangibles for the field pilot plant, resulting in lower development costs compared to prior year.

Impairment Analysis

The Company does not consider its exploration and evaluation or intangible assets to be impaired. The Company's ability to realize the value of these assets is dependent on the successful completion of an economically feasible pilot plant, followed by the construction of commercial scale lithium production facilities. The Company announced an upgrade of its mineral resource resulting in an increased technical confidence level in the Company's commercialization plans. Additionally, during 2023, the Company operated a field pilot plant testing its proprietary DLE technology and a third-party technology, both of which produced successful results and exceeded the Company's baseline success criteria.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at December 31, 2023.

LIQUIDITY AND CAPITAL RESOURCES

The Company reported a working capital of \$32.0 million at December 31, 2023 (December 31, 2022 - \$17.0 million). During the year ended December 31, 2023, the Company:

- used \$5.9 million (2022 – \$5.5 million) in operating activities primarily due to increases in business development and general and administrative expenses to support the Company's expansion;
- used \$13.8 million (2022 – \$12.7 million) in investing activities primarily due to site preparation, commissioning, and operations of its field pilot plant;
- generated \$36.4 million (2022 – \$13.6 million) as a result of a total of \$28.6 million in gross proceeds from the issuance of a combined 9.0 million shares from its June and September 2023 bought deal financing with \$2.8 million in share issuance costs, as well as the exercise of 2.9 million options and warrants during the year ended December 31, 2023.

As at December 31, 2023, the Company had net cash on hand of \$30.0 million compared to cash on hand of \$13.2 million at December 31, 2022.

Government Grants

Alberta Innovates ("AI")

On April 6, 2022, the Company was awarded a \$1.8 million grant to assist in the scale up and development of its field pilot plant. As at December 31, 2023, life-to-date claims under AI are \$1.8 million (December 31, 2022 - \$1.1 million) and the Company has received \$1.4 million (December 31, 2022 - \$1.1 million). Subsequent to year end, the Company received its final milestone payment of \$0.4 million.

Strategic Innovation Fund (“SIF”)

On November 28, 2022, the Company was awarded a \$27 million grant from the Government of Canada’s Innovation, Science and Economic Development’s SIF to support several aspects of the Company’s resource and technology development up until commercial production. Eligible costs under the agreement are reimbursed at 33.94% to a maximum of \$27 million.

Contingent on the Company’s success and reaching commercial lithium production, the grant becomes repayable at 1.4 times the amount disbursed from the SIF grant. The repayment period begins the second-year post project completion at a rate of 1% of annual gross business revenues over a 20-year period. Currently, it is possible but not probable whether the Company will realize an outflow of benefits to settle the contingent obligation as the Company has not yet achieved commercial production. The Company has not recognized a provision at December 31, 2023 (December 31, 2022 – nil).

As at December 31, 2023, life-to-date claims under the SIF grant are \$7.2 million (December 31, 2022 – \$4.4 million) and the contingent obligation related to SIF is estimated to be \$10.1 million (December 31, 2022 – \$6.4 million). As at December 31, 2023, there is \$1.9 million in accounts receivable related to SIF grants.

Natural Resources Canada’s (“NRCan”) Critical Minerals Research, Development, and Demonstration (“CMRDD”)

On March 7, 2023, the Company announced it was awarded \$3.5 million in funding through NRCan’s CMRDD program. The funds are non-dilutive and non-repayable. The funds were used to support the construction and operation of the Company’s field pilot plant. The Company shall submit and be reimbursed for eligible expenses on an ongoing basis throughout the term of the agreement.

As at December 31, 2023, life-to-date claims under the NRCan CMRDD grant are \$3.2 million. As at December 31, 2023, \$2.9 million is included in accounts receivable on the consolidated statement of financial position.

Share Capital

The table below summarizes the change in share capital:

Number of Shares	December 31, 2023	December 31, 2022
Balance, beginning of year	63,229,773	57,759,871
Share issuance	8,985,483	-
Exercise of stock options and warrants	2,854,141	5,241,878
Stock options exercised in prior year ⁽¹⁾	-	100,000
Shares issued – Finder’s fee	-	128,024
Balance, end of year	75,069,397	63,229,773

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

2023

During the year ended December 31, 2023, the Company issued 2.9 million common shares from the exercise of stock options and warrants with exercise prices between \$0.40 to \$2.67. Total proceeds received were \$3.6 million year to date.

On September 26, 2023, the Company closed a bought deal public offering (the “September Offering”) for gross proceeds of \$23.0 million, including full exercise of the overallotment option for proceeds of \$3.0 million. Share issuance costs in relation to the September Offering were \$2.1 million, comprised of \$1.6 million in cash

commissions and closing costs, and \$0.5 million in broker warrants (note 12) issued to the underwriters. Under the September Offering, the Company issued 6.5 million common shares at a price of \$3.55 per common share.

On June 8, 2023, the Company closed a bought deal public offering (the “June Offering”) for gross proceeds of \$5.6 million. Share issuance costs in relation to the June Offering were \$0.7 million, comprised of \$0.5 million in cash commissions and closing costs and \$0.2 million in broker warrants (note 12) issued to the underwriters. Under the June Offering, the Company issued 2.5 million common shares at a price of \$2.25 per common share.

2022

During the year ended December 31, 2022, the Company issued 5.3 million common shares from the exercise of stock options and warrants with exercise prices between \$0.40 to \$1.65. Total proceeds received were \$6.8 million year to date.

Strategic Agreement with IOL

In 2022, 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 intellectual property, with technical and developmental support from IOL in areas such as water and reservoir management. The agreement also includes access for E3 Lithium to freehold lands in the area, which are operated by IOL.

As part of the agreement, IOL agreed to invest \$6.35 million into E3 Lithium through the purchase of 3.4 million warrants at a pre-paid price of \$1.86 per warrant. Each warrant provides IOL the option to exercise the warrant for one common share of E3 Lithium at no further cost to IOL. The warrants are immediately exercisable, non-transferrable, and are non-refundable with expiry on July 8, 2024.

The Company paid a one-time 5% finder’s fee, being equal to \$0.3 million based on the amount of IOL’s investment. The finder elected to take 25% of the fee in cash and 75% of the fee in common shares of E3 Lithium. The Company issued the finder 128,024 shares on closing at \$1.86 per share. The Company received TSX Venture Exchange approval to issue the prepaid warrants and the 128,024 common shares on July 8, 2022.

As at April 25, 2024 there were 75,269,397 common shares in the capital of E3 Lithium issued and outstanding.

Warrants

The following table summarizes the change in warrants:

	Warrant (units)	Weighted Average Exercise Price (\$)
Balance, January 1, 2022	7,018,165	1.43
Broker warrants	484,722	1.65
Imperial warrants	3,413,979	-
Exercised	(5,173,978)	1.30
Forfeited/expired	(92,243)	1.40
Balance, December 31, 2022	5,650,645	0.65
Broker warrants	465,669	3.16
Exercised	(1,331,641)	1.71
Forfeited/expired	(1,032,257)	1.65
Balance, December 31, 2023	3,752,416	0.32

Stock Options

See “Share-Based Compensation” above for summary of changes.

Commitments

The following is a summary of the Company’s estimated commitments as at December 31, 2023:

As at December 31,	2024	2025	2026	2027	2028	Thereafter	Total
Office leases ⁽¹⁾	254	248	248	248	81	-	1,079
Mineral license fees	1,804	1,804	1,804	1,804	6,959	16,236	30,411
Total	2,058	2,052	2,052	2,052	7,040	16,236	31,490

(1) Represents undiscounted estimated operating costs payments for office and lab leases.

In December 2022, amendments to the Metallic and Industrial Minerals Tenure regulation were approved by Cabinet and effective January 1, 2023. Under the new regulation, brine-hosted mineral rights are granted through new agreements: brine-hosted minerals license and brine-hosted minerals lease. Brine-hosted mineral licenses are available for a 5-year, non-renewable term. Holders of brine-hosted mineral licenses have exclusive rights to apply from brine-hosted mineral leases with 10-year primary terms and indefinite continuation.

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, 2023 and 2022, the remuneration for key management personnel was as follows:

Year ended December 31	2023	2022
Salaries and benefits	1,023	849
Share-based compensation	938	651
Total	1,961	1,500

At December 31, 2023, the Company had no balances owing from related parties (2022 - \$0.1 million) as withholding taxes remitted on behalf of directors arising from stock option exercises during the year were repaid in full.

SUBSEQUENT EVENTS

See *Government Grants*.

CRITICAL ACCOUNTING ESTIMATES

The Company’s critical accounting estimates are based on note 4 of the Annual Consolidated Financial Statements. In preparation of the Annual Consolidated Financial Statements, estimates may be necessary to make a determination of the carrying value of certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the Annual Consolidated Financial Statements. Management regularly reviews assumptions used for estimates. Additionally, 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.

E3 Lithium's critical accounting estimates that may impact financial and operating results include:

- Estimates regarding the evaluation of progress towards establishing the technical feasibility and commercial viability of E&E assets and intangible assets;
- Estimates of share-based compensation and inputs into the Black-Scholes Option Pricing Model including risk-free interest rate, expected stock price volatility, expected life, expected dividend yields, and the fair value per option granted;
- Estimated values of decommissioning obligations include the expected amount and timing of future cash flows and discount rate used;
- Estimates of deferred income taxes incorporating management's interpretation of tax regulations and legislation in various tax jurisdictions.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

E3 Lithium's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due from related parties. The Company's financial instruments at December 31, 2023, approximate fair value due to their short-term nature. Accounts receivable, accounts payable and accrued liabilities, and due from related parties are carried at amortized cost. The Company has cash carried at fair value through profit or loss.

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, 2023. Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. 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 carrying balances of accounts receivable and due from related parties.

Accounts receivable outstanding as at December 31, 2023, relate to government grants and refundable tax credits which have minimal credit risk.

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

As at December 31, 2023, the Company has positive working capital of \$32.0 million (December 31, 2022 - \$17.0 million) and does not foresee a shortfall in capital within the next twelve months.

RISK FACTORS

Liquidity and Capital Resources

Historically, capital requirements have been primarily funded through the sale of securities of the Company. Factors that could affect the availability of financing include the progress and results of ongoing exploration at the Company's mineral properties, the state of international debt and equity markets and investor perceptions and expectations of the global market for lithium and its derivatives. There can be no assurance that such financing will be available in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company. Based on the amount of funding raised, the Company's planned exploration or other work programs may be postponed, or otherwise revised, as necessary.

Development of the Clearwater Lithium Project

The Company's business strategy depends in large part on developing the Clearwater Lithium Project. The capital expenditures and time required to develop the Clearwater Lithium Project are significant and the Company has not yet secured funding that it believes will be sufficient to cover its share of capital expenditure obligations for the development of the Clearwater Lithium Project. If the Company is unable to develop all or any of its projects, its business and financial condition will be materially adversely affected.

The Company believes that one of the key elements to the successful development of a feasible project in the future is the use of DLE. There is no guarantee that the Company will be successful in developing a commercial lithium production facility or obtaining funding related to these activities within the timeframes indicated or at all. There is no guarantee that the Company will be successful in developing DLE or utilizing others DLE, and its business and financial condition could be materially adversely affected.

Negative Operating Cash Flows

Given that the Company has yet to enter commercial production and generate cash flow, the Company had negative operating cash flow for its financial year ended December 31, 2023. To the extent that the Company has negative cash flow in future periods, the Company may need to deploy a portion of its cash reserves or a portion of the proceeds of any offering of securities to fund such negative cash flow.

SUMMARY OF QUARTERLY INFORMATION

	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Net loss	(2,134)	(2,462)	(1,955)	(2,493)
Net loss per share	(0.03)	(0.04)	(0.03)	(0.04)
Total assets	61,987	62,650	41,124	36,316
Total liabilities	4,835	4,377	3,619	2,668
Common shares outstanding	75,069,397	74,750,647	67,518,665	64,519,182

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Net loss	(1,981)	(1,798)	(1,848)	(1,310)
Net loss per share	(0.03)	(0.03)	(0.03)	(0.02)
Total assets	36,101	36,815	28,035	25,729
Total liabilities	2,629	5,034	3,306	1,125
Common shares outstanding	63,229,773	61,039,349	59,466,611	58,291,018

SELECTED ANNUAL INFORMATION

	2023	2022	2021
Net loss	(9,044)	(6,944)	(4,780)
Loss per share	(0.13)	(0.12)	(0.10)
Total assets	61,987	36,101	25,991
Total liabilities	4,835	2,629	990
Capital expenditures	15,622	14,074	3,585

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 Lithium will be competing against competitors that may be larger and better capitalized, have access to more efficient technology, and have access to reserves of minerals that are cheaper to extract and process; the fluctuations in the price of minerals and the future prices of minerals; the fact that if the price of minerals decreases significantly, any minerals discovered on any of the Company's properties may become uneconomical to extract; the continued demand for minerals and lithium; that fact that resource figures for minerals are estimates only and no assurances can be given 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 Lithium 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 Lithium's properties and for the operation of its business; and other risks related to mining activities that are beyond the Company's control as well as the risks discussed in the annual information form of the Company ("AIF") under the heading "Risk Factors". The risks discussed in this MD&A and in the AIF are not exhaustive of the factors that may affect any of the forward-looking statements.

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.

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