



E3 LITHIUM

Condensed Consolidated Interim Financial Statements (unaudited)

As at and for the three and six months ended June 30, 2024

Condensed Consolidated Interim Statements of Financial Position (unaudited)

As at

| (CAD\$ thousands) | Notes | June 30, 2024 | December 31, 2023 |
|---|--------|----------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 24,736 | 30,018 |
| Accounts receivable | 12, 13 | 1,890 | 5,458 |
| Prepaid expense | | 482 | 534 |
| | | 27,108 | 36,010 |
| Exploration and evaluation assets | 4 | 23,710 | 20,777 |
| Property and equipment | 5 | 199 | 171 |
| Intangible assets | 6 | 4,518 | 4,511 |
| Right-of-use assets | 7 | 459 | 518 |
| Total assets | | 55,994 | 61,987 |
| Liabilities and Shareholders' Equity | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 12 | 701 | 3,808 |
| Current portion of lease obligations | 8 | 156 | 156 |
| | | 857 | 3,964 |
| Lease obligations | 8 | 425 | 481 |
| Decommissioning obligations | 9 | 404 | 390 |
| Total Liabilities | | 1,686 | 4,835 |
| Share capital | 10 | 83,492 | 83,012 |
| Contributed surplus | | 16,493 | 15,014 |
| Contributed capital | | 1,987 | 1,987 |
| Accumulated other comprehensive loss | | (75) | (75) |
| Deficit | | (47,589) | (42,786) |
| Total shareholders' equity | | 54,308 | 57,152 |
| Total liabilities and shareholders' equity | | 55,994 | 61,987 |
| Subsequent events | 13, 17 | | |
| Commitments | 15 | | |

See accompanying notes to the condensed consolidated interim financial statements.

Approved by the Board of Directors

Signed "*John Pantazopoulos*"

Chairman

Signed "*Kevin Stashin*"

Audit Committee Chair

Condensed Consolidated Interim 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 | |
|---|-------|--------------------|----------------|------------------|----------------|
| | | 2024 | 2023 | 2024 | 2023 |
| Expenses | | | | | |
| Operating expenses | | - | 65 | - | 181 |
| Business development and marketing | | 696 | 494 | 1,227 | 1,473 |
| General and administrative | | 1,216 | 912 | 2,474 | 1,762 |
| Share-based compensation | 10 | 803 | 558 | 1,683 | 1,148 |
| Financing expenses | | 14 | 14 | 29 | 28 |
| Depreciation | 4, 6 | 46 | 42 | 101 | 81 |
| Total expenses | | 2,775 | 2,085 | 5,514 | 4,673 |
| Other Income | | | | | |
| Interest income | | 341 | 130 | 711 | 225 |
| Total other income | | 341 | 130 | 711 | 225 |
| Net loss and comprehensive loss | | (2,434) | (1,955) | (4,803) | (4,448) |
| Per common share (dollars) | | | | | |
| Net loss – basic and diluted | | (0.03) | (0.03) | (0.06) | (0.07) |
| Weighted average number of common shares outstanding | | | | | |
| Basic and diluted | | 75,269,397 | 65,508,068 | 75,243,023 | 64,802,164 |

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim 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 Income | Deficit | Total |
|---|--------|-------------------------------|---------------|------------------------|------------------------|---|-----------------|---------------|
| January 1, 2023 | | 63,229,773 | 52,701 | 12,601 | 1,987 | (75) | (33,742) | 33,472 |
| Net loss and comprehensive loss | | - | - | - | - | - | (4,448) | (4,448) |
| Share issuance | | 2,499,483 | 5,624 | - | - | - | - | 5,624 |
| Share issuance cost | | - | (725) | 155 | - | - | - | (570) |
| Exercise of options and warrants | 10, 11 | 1,789,409 | 2,390 | (111) | - | - | - | 2,279 |
| Share-based compensation | 11 | - | - | 1,148 | - | - | - | 1,148 |
| June 30, 2023 | | 67,518,665 | 59,990 | 13,793 | 1,987 | (75) | (38,190) | 37,505 |
| January 1, 2024 | | 75,069,397 | 83,012 | 15,014 | 1,987 | (75) | (42,786) | 57,152 |
| Net loss and comprehensive loss | | - | - | - | - | - | (4,803) | (4,803) |
| Exercise of options and warrants | 10, 11 | 200,000 | 480 | (204) | - | - | - | 276 |
| Share-based compensation | 11 | - | - | 1,683 | - | - | - | 1,683 |
| June 30, 2024 | | 75,269,397 | 83,492 | 16,493 | 1,987 | (75) | (47,589) | 54,308 |

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

For the three and six months ended June 30

| (CAD\$ thousands) | Notes | Three Months Ended | | Six Months Ended | |
|---|----------|--------------------|---------|------------------|---------|
| | | 2024 | 2023 | 2024 | 2023 |
| Cash Used in Operating Activities | | | | | |
| Net loss and comprehensive loss | | (2,434) | (1,955) | (4,803) | (4,448) |
| Non-cash items: | | | | | |
| Share-based compensation | 10 | 803 | 558 | 1,683 | 1,148 |
| Depreciation | 4, 6 | 46 | 42 | 101 | 81 |
| Interest expense on lease obligations | 7 | 11 | 12 | 23 | 24 |
| Accretion | 8 | 3 | 1 | 6 | 3 |
| Change in non-cash working capital | 16 | (447) | (174) | (444) | 233 |
| Cash flow used in operating activities | | (2,018) | (1,516) | (3,434) | (2,959) |
| Cash Used in Investing Activities | | | | | |
| Exploration and evaluation asset expenditures | 3 | (1,580) | (2,057) | (4,293) | (3,041) |
| Property and equipment expenditures | 4 | (37) | (26) | (70) | (32) |
| Intangible assets expenditures | 5 | (8) | (1,013) | (14) | (1,784) |
| Change in non-cash working capital | 16 | (1,062) | 560 | (2,753) | 493 |
| Cash used in investing activities | | (2,687) | (2,536) | (7,130) | (4,364) |
| Cash from Financing Activities | | | | | |
| Proceeds from share issuance, net of issuance costs | 9 | - | 5,054 | - | 5,054 |
| Proceeds from exercise of options and warrants | 9, 10 | - | 200 | 276 | 2,279 |
| Government grants | 3, 5, 13 | 680 | 2,531 | 1,375 | 3,760 |
| Repayment of lease obligations | 7 | (40) | (23) | (79) | (24) |
| Change in non-cash working capital | 16 | 596 | 2,379 | 3,710 | 1,150 |
| Cash from financing activities | | 1,236 | 10,141 | 5,282 | 12,219 |
| Change in cash and cash equivalents | | (3,469) | 6,089 | (5,282) | 4,896 |
| Cash and cash equivalents – beginning of period | | 28,205 | 12,056 | 30,018 | 13,249 |
| Cash and cash equivalents – end of period | | 24,736 | 18,145 | 24,736 | 18,145 |

See accompanying notes to the condensed consolidated interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

E3 Lithium Ltd. (“E3 Lithium” or the “Company”) 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, the OTCQX, and Frankfurt Stock Exchange under the symbols ETL, EEMMF, and OW3, respectively. On July 8, 2022, the Company effectively changed its name to E3 Lithium Ltd., previously known as E3 Metals Corp. The Company’s head office and principal address is located at 1520, 300-5th Avenue SW, Calgary, AB, T2P 3C4.

As at June 30, 2024, the Company has not generated revenues from operations and has an accumulated deficit of \$47.6 million (December 31, 2023 – \$42.8 million) including a net loss of \$4.8 million (June 30, 2023 – \$4.4 million) as at and for the three and six months ended June 30, 2024. The Company’s ability to continue as a going concern is dependent upon its ability to finance its project and move towards commercial production of battery grade Lithium Hydroxide Monohydrate (“LHM”).

These condensed consolidated interim financial statements have been prepared on a going concern basis as the Company has sufficient liquidity with \$26.3 million in working capital as at June 30, 2024, and does not foresee a cash shortfall within the next twelve months (note 12).

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting. Certain information and footnote disclosures normally included in the annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) in effect on January 1, 2024, have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company’s December 31, 2023, audited consolidated financial statements. These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 29, 2024.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. All financial information is presented in the Company’s functional currency, which is Canadian dollars.

Use of estimates and judgments

The preparation of these condensed consolidated interim financial statements requires that management make estimates, judgments, and assumptions based on available information at the date of the condensed consolidated interim financial statements. Actual results may differ from estimates as future confirming events occur. Material estimates and judgments used in the preparation of the condensed consolidated interim financial statements have been prepared using the same judgments, estimates, and assumptions as reported in the Company’s December 31, 2023, audited consolidated financial statements.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

New and amended standards adopted by the Company

The following IFRS amendments were adopted in 2024.

- Amendments to IAS 1, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current*, clarifying the classification requirements in the standard for liabilities as current or non-current.
- Amendments to IAS 1, *Presentation of Financial Statements – Non-current Liabilities with Covenants*, modifying the 2020 amendments to IAS 1 to further clarify the classification, presentation, and disclosure requirements in the standard for non-current liabilities with covenants.
- Amendments to IFRS 16, *Leases – Lease Liability in a Sale and Leaseback*, clarifying subsequent measurement requirements for sale and leaseback transactions for seller-lessees.
- Amendments to IAS 7, *Statements of Cash Flows* and IFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*, adding disclosure requirements that require entities to provide qualitative and quantitative information about supplier finance arrangements.

These amendments either had no impact, or did not have a material impact, on the condensed consolidated interim financial statements.

4. EXPLORATION AND EVALUATION ASSETS

| Carrying Value | |
|--|---------------|
| Balance, January 1, 2023 | 12,273 |
| Additions | 13,067 |
| Change in decommissioning costs (note 9) | 226 |
| Government grant (note 13) | (4,789) |
| Balance, December 31, 2023 | 20,777 |
| Additions | 4,293 |
| Change in decommissioning costs (note 9) | 8 |
| Government grant (note 13) | (1,368) |
| Balance, June 30, 2024 | 23,710 |

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2024 and 2023

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

5. PROPERTY AND EQUIPMENT

| Cost | Computer Equipment | Furniture and Fixtures | Software Licenses | Leasehold Improvement | Total |
|---------------------------------|-------------------------------|-----------------------------------|------------------------------|----------------------------------|--------------|
| Balance, January 1, 2023 | 137 | 114 | 41 | 32 | 324 |
| Additions | 22 | 3 | 11 | 11 | 47 |
| Balance, December 31, 2023 | 159 | 117 | 52 | 43 | 371 |
| Additions | 28 | 10 | 31 | 1 | 70 |
| Balance, June 30, 2024 | 187 | 127 | 83 | 44 | 441 |
| Accumulated Depreciation | | | | | |
| Balance, January 1, 2023 | (76) | (24) | (38) | (4) | (142) |
| Depreciation | (33) | (18) | (7) | - | (58) |
| Balance, December 31, 2023 | (109) | (42) | (45) | (4) | (200) |
| Depreciation | (15) | (8) | (8) | (11) | (42) |
| Balance, June 30, 2024 | (124) | (50) | (53) | (15) | (242) |
| Carrying Value | | | | | |
| Balance, December 31, 2023 | 50 | 75 | 7 | 39 | 171 |
| Balance, June 30, 2024 | 63 | 77 | 30 | 29 | 199 |

6. INTANGIBLE ASSETS

| Carrying Value | |
|-------------------------------|--------------|
| Balance, January 1, 2023 | 4,327 |
| Additions | 2,508 |
| Government grant (note 13) | (2,324) |
| Balance, December 31, 2023 | 4,511 |
| Additions | 14 |
| Government grant (note 13) | (7) |
| Balance, June 30, 2024 | 4,518 |

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2024 and 2023

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

7. RIGHT-OF-USE ASSETS

| Cost | |
|---------------------------------|--------------|
| Balance, January 1, 2023 | 559 |
| Additions | 109 |
| Balance, December 31, 2023 | 668 |
| Balance, June 30, 2024 | 668 |
| Accumulated Depreciation | |
| Balance, January 1, 2023 | (33) |
| Depreciation | (117) |
| Balance, December 31, 2023 | (150) |
| Depreciation | (59) |
| Balance, June 30, 2024 | (209) |
| Carrying Value | |
| Balance, December 31, 2023 | 518 |
| Balance, June 30, 2024 | 459 |

8. LEASE OBLIGATIONS

| Carrying Value | |
|--------------------------------------|------------|
| Balance, January 1, 2023 | 584 |
| Additions | 109 |
| Interest | 47 |
| Repayments | (103) |
| Balance, December 31, 2023 | 637 |
| Interest | 23 |
| Repayments | (79) |
| Balance, June 30, 2024 | 581 |
| Carrying Value | |
| Future minimum lease payments | 671 |
| Discount | (90) |
| Balance, June 30, 2024 | 581 |
| Current portion of lease obligations | 156 |
| Lease obligations | 425 |
| Balance, June 30, 2024 | 581 |

The Company's leases at June 30, 2024, relate to vehicle leases, corporate head office, and the research lab facility. A discount rate between 4.99% and 8.00% was used to determine the present value of the lease obligations.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2024 and 2023

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

9. DECOMMISSIONING OBLIGATIONS

| Carrying value | |
|---|------------|
| Balance, January 1, 2023 | 233 |
| Additions | 199 |
| Additions – rate change | 28 |
| Additions – estimate change | (2) |
| Accretion | 4 |
| Expenditures | (72) |
| Balance, December 31, 2023 | 390 |
| Additions – estimate change | 8 |
| Accretion | 6 |
| Balance, June 30, 2024 | 404 |
| Expected to be incurred within one year | 58 |
| Expected to be incurred beyond one year | 346 |

Decommissioning obligations as at June 30, 2024, were determined using a risk-free rate of 3.23% (December 31, 2023 – 3.23%) and inflation rate of 3.00% (December 31, 2023 – 3.00%). The undiscounted and inflated total future decommissioning obligations were estimated to be approximately \$0.4 million with abandonment and reclamation costs expected to be incurred in the next 10 years.

10. SHARE CAPITAL

Authorized Share Capital

Unlimited common shares with no par value.

| Number of Shares | June 30, 2024 | December 31, 2023 |
|--|----------------------|-------------------|
| Balance, beginning of period | 75,069,397 | 63,229,773 |
| Share issuance | - | 8,985,483 |
| Exercise of stock options and warrants | 200,000 | 2,854,141 |
| Balance, end of period | 75,269,397 | 75,069,397 |

2024

During the six months ended June 30, 2024, the Company issued 0.2 million common shares from the exercise of stock options with an exercise price of \$1.38. Total proceeds received were \$0.3 million year to date.

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 11) 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 11) 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.

11. SHARE-BASED COMPENSATION

Warrants

The following table summarizes the change in warrants:

| | Warrant (units) | Weighted Average Exercise Price (\$) |
|-------------------------------|--------------------|---|
| Balance, January 1, 2023 | 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 |
| Balance, June 30, 2024 | 3,752,416 | 0.32 |

Warrants outstanding and exercisable as at June 30, 2024:

| Grant date | Exercise price (\$) | Expiry Date | Remaining Life (years) | Warrants Outstanding and Exercisable |
|-----------------------------|------------------------|--------------------|------------------------------|--|
| July 8, 2022 ⁽¹⁾ | - | July 8, 2025 | 1.0 | 3,413,979 |
| June 8, 2023 | 2.25 | June 8, 2025 | 0.9 | 14,137 |
| September 26, 2023 | 3.55 | September 26, 2025 | 1.2 | 324,300 |

(1) The Company received a prepayment of \$6.35 million for the warrants issued at an exercise price of \$1.86 per warrant from Imperial Oil Limited (“IOL”). The warrants can be exercised at no further cost to IOL.

During the quarter ended June 30, 2024, as part of E3 Lithium and IOL’s continued collaboration under the strategic agreement first announced in June 2022, the two companies agreed to increase access to additional freehold lands across the Clearwater Area. The Company has also agreed to extend the terms of the warrants (the “IOL Warrants”) for an additional 12 months, now exercisable until July 8, 2025.

Incentive Securities

The shareholders of the Company previously 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 has since implemented the Omnibus Equity Incentive Plan (the “Omnibus Plan”), which provides flexibility to the Company to grant equity-based incentive awards in the form of Options, restricted share units (“RSUs”), performance share units (“PSUs”), and deferred share units (“DSUs”, and together with Options, RSUs, and PSUs, “Awards”). The Omnibus Plan is the Company’s only equity compensation plan.

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 11,290,409 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.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2024 and 2023

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

Stock Options

The following table summarizes the change in stock options:

| | Stock Options | Weighted Average Exercise Price (\$) |
|-------------------------------|----------------------|---|
| Balance, January 1, 2023 | 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 |
| Granted | 2,313,000 | 1.61 |
| Exercised | (200,000) | 1.38 |
| Forfeited/expired | (706,250) | 2.92 |
| Balance, June 30, 2024 | 6,233,000 | 2.18 |

The weighted average life of options outstanding at June 30, 2024, is 3.4 years (December 31, 2023 – 3.4).

The fair value of options granted was estimated using the Black-Scholes Option Pricing Model based on the date of grant and the following assumptions:

| | 2024 | 2023 |
|---------------------------------|---------------------|-------------------|
| Risk-free interest rate | 3.50% to 4.17% | 3.15% to 4.40% |
| Expected stock price volatility | 73% to 92% | 86% to 92% |
| Expected life | Three to five years | One to five years |
| Fair value per option granted | \$0.80 to \$1.58 | \$1.51 to \$3.07 |
| Forfeiture rate | 5.77% to 5.82% | 3.95% |

During the three and six months ended June 30, 2024, the Company incurred \$0.8 million and \$1.6 million (June 30, 2023 - \$0.6 million and \$1.1 million) in share-based compensation expense related to stock options.

Stock options outstanding and exercisable as at June 30, 2024:

| Exercise price (\$) | Weighted average exercise price | Weighted average remaining Life (years) | Outstanding |
|-----------------------------------|--|--|--------------------|
| \$1.01 - \$2.00 | \$1.62 | 3.5 | 2,583,000 |
| \$2.01 - \$3.00 | \$2.49 | 3.4 | 3,555,000 |
| \$4.01 - \$5.00 | \$4.40 | 4.2 | 85,000 |
| Outstanding, end of period | \$2.16 | 3.4 | 6,223,000 |
| Exercisable, end of period | \$2.37 | 3.1 | 1,755,000 |

RSUs

During the first quarter, the Company issued RSUs under the Omnibus Plan. The terms and conditions of RSU grants, including the quantity, type of award, award date, vesting conditions, applicable vesting periods and other terms and conditions with respect to the award, as determined by the Board, will be set out in participant RSU agreements, as applicable. RSUs shall be settled by the issuance of Common Shares, a cash payment or any combination thereof, to be determined at the discretion of the Board at the time of settlement. The following table summarizes the change in RSUs:

| | Restricted Share Units | Weighted Average Fair Value per Award(\$) | Weighted average remaining Life (years) |
|-------------------------------|---------------------------|---|--|
| Balance, December 31, 2023 | - | - | - |
| Granted | 395,000 | 1.58 | 1.5 |
| Forfeited/expired | (5,000) | 1.58 | 1.5 |
| Balance, June 30, 2024 | 390,000 | 1.58 | 1.5 |

The weighted average life of RSUs outstanding at June 30, 2024, is 1.5 years (December 31, 2023 – nil).

During the three and six months ended June 30, 2024, the Company incurred nil and \$0.04 million (June 30, 2023 – nil and nil) in share-based compensation expenses related to RSUs.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 during the six months ended June 30, 2024. 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.

Accounts receivable outstanding as at June 30, 2024, relate to government grants (note 13) 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 June 30, 2024, the Company has positive working capital of \$26.3 million (December 31, 2023 - \$32.0 million) and does not foresee a shortfall in capital within the next twelve months.

13. 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 June 30, 2024, life-to-date claims under AI is \$1.8 million (December 31, 2023 - \$1.8 million) and the Company has received \$1.8 million (December 31, 2023 - \$1.4 million). The remaining amount was claimed upon the completion of the field pilot plant.

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 June 30, 2024 (December 31, 2023 – nil).

As at June 30, 2024, life-to-date claims under the SIF grant is \$8.6 million (December 31, 2023 - \$7.2 million) and the contingent obligation related to SIF is estimated to be \$12.0 million (December 31, 2023 - \$10.1 million). As at June 30, 2024, there is \$1.4 million in accounts receivable related to SIF grants (December 31, 2023 - \$1.9 million).

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 will be 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 June 30, 2024, life-to-date claims under the NRCan CMRDD grant are \$3.2 million. As at June 30, 2024, there is \$0.4 million in accounts receivable related to NRCan grants (December 31, 2023 - \$2.9 million).

Subsequent Event

Emissions Reduction Alberta (“ERA”)

On August 15, 2024, ERA announced a \$5 million investment to support E3 Lithium’s path to commercialization. The Company plans to use the funds towards its integrated Lithium Brine Demonstration Facility with the goal to produce lithium carbonate from brines within the Leduc reservoir in Alberta.

14. CAPITAL MANAGEMENT

The Company's objective is to maintain a strong structure and sufficient liquidity to meet its short and long-term business objectives. Sources of capital for the Company include equity issuances and funding and grants from various government agencies. The Company is not exposed to any external capital requirements.

15. COMMITMENTS

The following is a summary of the Company's estimated commitments as at June 30, 2024:

| As at June 30, | 2024 | 2025 | 2026 | 2027 | 2028 | Thereafter | Total |
|------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Office leases ⁽¹⁾ | 125 | 248 | 248 | 248 | 81 | - | 950 |
| Mineral license fees | 1,804 | 1,804 | 1,804 | 1,804 | 6,960 | 16,236 | 30,412 |
| Total | 1,929 | 2,052 | 2,052 | 2,052 | 7,041 | 16,236 | 31,362 |

(1) Represents undiscounted estimated operating cost 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.

16. 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 | For the Three Months ended June 30, | | For the Six Months ended June 30, | |
|--|--|-------|--------------------------------------|-------|
| | 2024 | 2023 | 2024 | 2023 |
| Accounts receivable | 446 | 2,194 | 3,568 | 1,348 |
| Accounts payable and accrued liabilities | (1,349) | 851 | (3,107) | 878 |
| Due to/from related parties | - | (253) | - | (253) |
| Prepaid expenses | (10) | (27) | 52 | (97) |
| Total change in non-cash working capital | (913) | 2,765 | 513 | 1,876 |
| Operating activities | (447) | (174) | (444) | 233 |
| Investing activities | (1,062) | 560 | (2,753) | 493 |
| Financing activities | 596 | 2,379 | 3,710 | 1,150 |
| Total change in non-cash working capital | (913) | 2,765 | 513 | 1,876 |

17. SUBSEQUENT EVENTS

Subsequent to the quarter, on August 20, 2024, the Company announced a Joint Development Agreement with Pure Lithium Corporation, a Boston-based vertically integrated lithium metal battery technology company. Under the Agreement, the two companies will advance the design of a lithium metal anode and battery pilot plant in Alberta and complete a Preliminary Economic Assessment of a commercial lithium metal battery facility combining Pure Lithium's patented vertically integrated Brine to Battery™ technology with E3 Lithium's vast lithium brines and concentrate production. The Company is assessing the accounting impacts, if any, on its consolidated financial statements.