



# Management's Discussion and Analysis

For the year ended December 31, 2024

## PRESIDENT'S MESSAGE

Dear E3 Lithium Shareholders,

E3 Lithium is committed to the development of lithium in Alberta to directly support the battery industry by delivering battery-quality lithium to meet growing demand for domestically sourced lithium in Canada and globally. In 2024, the Company achieved several significant milestones that place it at the forefront of North American projects currently in development aiming to achieve production of battery-quality lithium products before the end of the decade. E3 Lithium continues to demonstrate its ability to progress the development of its core assets and strategically place itself as a leader in both lithium and Direct Lithium Extraction (“DLE”) development.

E3 Lithium’s Clearwater Project, located in Central Alberta, holds a strong jurisdictional advantage including available proximal infrastructure and a world leading permitting system, now governing critical minerals. This positions E3 Lithium, the province of Alberta, and Canada to be a future leader in critical mineral development.

In July, the Company successfully completed a Nation Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“NI 43-101”) Pre-Feasibility Study (“PFS”) of its Clearwater Project further solidifying the commercial viability with an estimated NPV of US \$3.7 Billion. This value was underpinned by the confirmation of the vast lithium resources across our permit holdings in the Bashaw District. E3 Lithium received Canada’s first Proven and Probable reserve classification for lithium-in-brine with 1.13 million tonnes of lithium carbonate equivalent (“LCE”) in the Clearwater Project area. In addition, total Measured and Indicated resources in the Bashaw District was confirmed at 16.2 million tonnes of LCE, making E3 Lithium one of the largest lithium resource holders in Canada and North America; highlighting the long-term potential for production of lithium from the Clearwater Project and for future expansion across E3 Lithium’s resources base.

Significant advancements were also made in the development of E3 Lithium’s process flowsheet, direction for the DLE technology and the Company’s ability to engineer, design and build equipment for producing battery-quality lithium carbonate. Through the PFS, the Company solidified the majority of the project design and confirmed the critical process operators for the Clearwater Project commercial facility. Also, resulting from extensive work completed at the pilot plant in 2023, the Company has defined a path to work with vendors and engineering firms to design its own DLE system capable of utilizing sorbent from multiple sources. This has been supported by the growing number of chemical companies manufacturing sorbents that are applicable to E3 Lithium’s DLE process. In conjunction, E3 Lithium expanded its DLE equipment in the testing facility in Calgary to increase the rate of sorbent testing and to ensure sorbents meet the requirements for our commercial operations. The testing facility also expanded its equipment and operations to include carbonation processes which has led to the successful production of battery-quality lithium carbonate, announced in early 2025.

The Company also advanced several corporate initiatives including outlining a 2.5 million tonnes LCE inferred mineral resource on its project in Saskatchewan, the acquisition of a previously used industrial site for the Clearwater Project Central Processing Facility and successfully securing \$5.0 million in funding from Emissions Reduction Alberta for our upcoming Demonstration Facility. The Company has also been successful in advancing relationships with key stakeholders near our facility in Alberta, government administrations, and commercial relationships with global companies looking to secure future lithium supply. E3 Lithium was also represented at conferences across the globe as an industry expert, including being featured at the Energy Disrupters conference providing a TED style talk leading into a round table with battery industry veteran Bob Gaylen, former CTO of CATL.

I want to thank our shareholders and stakeholders for their continued support of E3 Lithium in our mission to develop battery-quality lithium projects across our significant assets in Alberta. Building on the achievements of 2024, our 2025 development plans are positioning the Clearwater Project to be fully permitted and 'shovel ready' in 2026, driving E3 Lithium to become a major supplier of Canadian lithium to the global battery market.

Sincerely,

**Chris Doornbos**  
**President & CEO**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") has been prepared by management as of April 24, 2025 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, 2024 and 2023 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](http://www.e3lithium.ca) and SEDAR at [www.sedar.com](http://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, Canada. E3 Lithium's shares are listed on the TSX Venture Exchange under the symbol ETL, the OTCQX Exchange under the symbol EEMMF and on the Frankfurt Stock Exchange under the symbol OW3.

### 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 2024

#### **2024 Highlights: Material advancement towards Canada's First Commercial DLE Project**

The Company continues to position itself to be one of the few North American projects able to produce battery-quality lithium products before the end of the decade. In 2024, the Company achieved several significant milestones including defining the Clearwater Project through completion of a Pre-Feasibility Study, which outlines the economic viability of the project, validating direct lithium extraction technology and booking Canada's first lithium-in-brine proven reserves.

Developing the Clearwater Project in Alberta offers many strategic jurisdictional advantages including available and proximal key infrastructure and a world leading permitting system for critical mineral development, which should enable E3 Lithium to bring the Clearwater project onstream in a shorter timeframe compared to other jurisdictions.

#### **Key milestones accomplished:**

- **Established Canada's First Lithium-in-Brine Proven Reserves and Pre-Feasibility Study:** The Pre-Feasibility Study outlined initial production of 32,250 tpa LHM with an after-tax NPV8 US\$3.7 billion and IRR 24.6%. Within the Clearwater Project, converted 1.3Mt LHM (1.1 Mt LCE) from M&I resource to Proven and Probable reserves.

- **Strengthening of the Board of Directors:** Welcoming former Alberta Energy Minister Honorable Sonya Savage who brings a wealth of expertise in developing and implementing climate and energy policies, legislation, and regulations. Also adding Albemarle Corporation's former CCO, Tina Craft who led the lithium division and bromine division during her 27-year tenure.
- **Lithium Carbonate Production:** E3 Lithium successfully commissioned the future Demonstration Plant Carbonation Equipment in the laboratory in Calgary achieving the goal to operate the equipment at demonstration scale to build the necessary skill set and to confirm the operational parameters to enable the Company to produce consistent battery-grade lithium carbonate. Subsequent to the end of the year, the production of lithium carbonate achieved a battery-quality purity of 99.71%.
- **Additional Resources Established in Saskatchewan:** Expanding E3 Lithium's resource base by outlining 2.5Mt LCE of Inferred resource within the Estevan Lithium District with lithium concentrations up to 259 mg/L located near the project.
- **Continued Federal and Provincial Government Support:** Awarded \$5.0 million in funding from Emissions Reduction Alberta ("ERA") Technology Innovation and Emissions Reduction ("TIER") fund. Subsequent to the end of the year, Critical Minerals Infrastructure Fund ("CMIF") awarded \$4.4 million toward completing work towards transportation and energy infrastructure necessary to develop the Clearwater Project.

## **E3 LITHIUM UNIQUE VALUE PROPOSITION**

E3 Lithium's project location offers several key advantages: significant resources, access to existing infrastructure, advanced technologies, leading environmental stewardship and well-established regulatory framework. All of this provides a clear pathway to commercialization as E3 Lithium aims to be one of the first battery-quality lithium projects to market in North America.

### **Significant Lithium Brine Resources:**

E3 Lithium holds one of Canada's largest Measured and Indicated lithium resource, located in a subsurface brine in the Bashaw District, located in Alberta. With similar operations to the oil and gas industry, E3 Lithium has a clear path to commercializing lithium production. Once the Clearwater Project is fully operational the Company believes that the resource base across its operating areas could support the development of several additional commercial facilities of similar size. E3 Lithium anticipates that it could supply sufficient volumes of battery-grade lithium carbonate to satisfy the majority of Canadian lithium demand.

### **Alberta's World-Renowned Regulatory and Permitting Process:**

Resource development in Alberta benefits from a long-standing framework for permitting and licensing. The Alberta Energy Regulator ("AER") is the regulatory authority responsible for overseeing brine-hosted minerals development in the province with the lithium-in-brine approval process based on the existing oil and gas regulatory framework. This established framework creates significant advantages for project development compared to projects in other jurisdictions including a transparent application process and approval timeframe guidelines that provide evidence that E3 Lithium may be able to accelerate the speed to market while ensuring developments adhere to very high standards with respect to environmental and safety governance.

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**Accessible Infrastructure & Experienced Workforce:**

The Clearwater Project Central Processing Facility (“CPF”) is located within a well-established industrial jurisdiction and is in close proximity to key infrastructure including power, roads and natural gas, which reduces capital requirements and provides logistical advantages for accessing key markets and distribution networks. In addition, Alberta’s existing available workforce will require little to no upgrading of skills in order to transition from oil and gas production to lithium production.

**Innovative Approach to Environmental Stewardship for Lithium Production:**

E3 Lithium is prioritizing an approach that strives for a high standard 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**<sup>1</sup>: A DLE-based process anticipates using less than 10% of the land of a conventional lithium open pit (hard rock) or 4% of the land of a salar-based (brine) mining project. Unlike salars and open pit mines, after operations, E3 Lithium’s land base will be 100% restored to prior land use.
- **No freshwater aquifer interaction**: E3 Lithium’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**: E3 Lithium’s process involves reinjecting lithium-void brine directly back into the Leduc formation post DLE, requiring no waste or tailings ponds. The Clearwater project will deploy a “zero liquid discharge” philosophy, sourcing process water from the brine and internal recycle streams and not disposing of process water into the environment.
- **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.

**Strong Financial Position:**

The Company ended the year with working capital of \$18.1 million with an aggregate of \$26.7 million (including \$4.4 million awarded subsequent to the end of the year) of available grants to be drawn upon from the Strategic Innovation Fund, Emissions Reduction Alberta and Critical Minerals Infrastructure Fund. The Company continues to be committed to sourcing non-dilutive funding avenues to fulfill its ongoing capital requirements.

**Diversity, Equity and Inclusion:**

E3 Lithium 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 over 50% female employees and a broad range of backgrounds, as of the end of 2024. The composition of the Board of Directors reflects E3 Lithium’s commitment to gender diversity with 50% female representation at year end 2024. This deliberate effort not only brings valuable perspectives to our leadership but also sets a clear example of our commitment to equality.

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<sup>1</sup> Based on ~300 acres for the Clearwater project, based on ~3,300 acres of Greenbushes lithium mine, based on approximately ~8,000 acres of Salar de Atacama

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## 2025 OUTLOOK

### **Long Term Market Outlook for Lithium Remains Robust. Oversupply Expected to Persist in 2025**

According to Benchmark Mineral Intelligence, the near-term global lithium supply is projected to grow by 25% in 2025, while demand is expected to rise by 23% resulting in an anticipated surplus of 83 kt LCE, keeping prices subdued for most of the year. Looking ahead to 2026, the lithium market is forecast to continue experience a surplus of 60kt LCE followed by balanced market conditions in 2027–2028. During this period, macroeconomic challenges and the potential impact of tariffs will limit demand growth<sup>2</sup>. However, a growing sentiment for the necessity to onshore critical minerals production in Canada, the USA and Europe may impact these surplus volumes. Policies from all three jurisdictions indicate domestic production will become an important factor governing the growth of the critical mineral supply chain. While it is hard to predict how policies will impact trade in the future, support for domestically produced battery-quality lithium products is growing. Should upcoming policies limit trade from foreign nations who currently dominate lithium production, there could be a supply deficit for the foreseeable future in Canada, USA and Europe where E3 Lithium will be a reliable and trusted source of domestic lithium supply.

### **E3 Lithium's Advantages Going into 2025**

Recent intensifying in the geopolitical environment has led to a renewed emphasis for Western countries to be more active in accelerating the development of domestic critical mineral resources to ensure regional supply chains. The goal of the Demonstration Facility is to confirm the commerciality of the processes required to produce battery-quality lithium carbonate. This, coupled with one of Canada's largest lithium resources and its strategic location in a jurisdiction with an established and efficient regulatory regime, positions the Company to capitalize on the opportunity to meet the growing, immediate need to regionalize domestic critical minerals.

### **Clearwater Project and Demonstration Facility Development Plans**

In 2025, the Company will focus on five main initiatives as it progresses towards commerciality:

1. Advance Phase 1 development of the commercial plant, including engineering for the Feasibility Study.
2. Construct and operate a fully integrated demonstration facility, showcasing Canada's first scaled-up DLE system to convert brine to battery-quality lithium product.
3. Submit the required environmental applications in compliance with AER's environmental standards and begin the process to license the CPF and required brine production and injection wells.
4. Meaningfully advance strategic partner and future offtake relationships.
5. Continue to build strong stakeholder engagement and support

**Advance Phase 1 of Commercial Development:** E3 Lithium is set to make significant progress in 2025, focusing on optimizing the design, construction planning and permitting of its first commercial facility. E3 Lithium has been evaluating an amendment to the Clearwater PFS with the goals of reducing the initial capital required and increasing speed to market by shortening the engineering and construction timeframes. The two fundamental changes to the design of the Clearwater Project are as follows:

- **Lithium Carbonate Production:** The initial plant design will focus on the production of battery-quality lithium carbonate vs lithium hydroxide production outlined in the PFS.
- **Phased development plan:** The Clearwater Project is planned to be built in multiple phases with the first phase having annual production capacity of approximately 12,000 tonnes of LCE. Expansion of the Clearwater Project to the full annual capacity target of approximately 36,000 tonnes of LCE will be developed in future phases.

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<sup>2</sup> Benchmark Minerals Intelligence Lithium Market Overview Q1 2025; Benchmark Minerals Intelligence Lithium Forecast Report Q1 2025

**Demonstration Facility:** In addition to the ongoing development of the Clearwater Project, the Company plans to construct a Demonstration Facility (the “Demo Facility”) to demonstrate the operations of continuous brine production to battery-quality lithium carbonate. The Demo Facility will collect continuous data and demonstrate that the process can operate at commercial scale. The battery-quality lithium carbonate can then be provided to potential customers for pre-qualification. The Demo Facility will consist of two DLE systems and a full-size commercial production and injection well pair.

Demo Facility will operate two DLE systems to test various components the system in preparation for commercial development; A 30-column process optimization skid which will operate a valve array and computer control system that mimics the commercial design from a process operations perspective and a full-size single commercial column which will operate in the same manner and volume as the planned commercial design to confirm recoveries and operating details.

The Demo Facility will drill a production and injection well pair to confirm the productive capacity of the reservoir and test integration with the DLE systems. The design and operation well pair will simultaneously provide confirmation of reservoir performance and the amount of recoverable lithium that will be required for investors in the commercial development.

**Strategic Partner and Offtake Relationships:** As the Company looks ahead to future project financing needs, it will continue to engage with strategic domestic and international companies for potential joint ventures and partnerships in the development of the Clearwater Project and potential parties interested in securing future production of lithium products through long term offtake agreements.

**Stakeholder Engagement:** E3 Lithium is in the process of building strong relationships with stakeholders. In addition, E3 Lithium working with various regulatory agencies and developing the necessary engineering information to meet the provincial licencing standards to operate at the CPF. The Company aims to have the required permits submitted by early Q3 of this year with the potential to have a fully permitted CPF in mid-2026.

As the Company advances towards full 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:

2025	2026	2027
<ul style="list-style-type: none"> <li>• Secure additional mineral leases required in Clearwater Project Area</li> <li>• Commission 2025 Demonstration Facility</li> <li>• Initiate Feasibility Study (FS) – for Phase 1 of Clearwater Project</li> <li>• Begin detailed engineering</li> <li>• Advance Strategic Joint Ventures, Partnerships &amp; Offtake Agreements</li> <li>• Progress Feasibility Study &amp; Regulatory Requirements</li> <li>• Initiate Formal Stakeholder Engagement</li> <li>• Submit Environmental &amp; Licensing Applications</li> </ul>	<ul style="list-style-type: none"> <li>• Publish Phase 1 FS completion</li> <li>• Operate Demonstration Facility to validate Commercial capability</li> <li>• Advance and secure project financing</li> <li>• Procure equipment and materials<sup>1</sup></li> <li>• Commence commercial drilling program, pending regulatory approvals</li> <li>• Begin construction of Phase 1 of first commercial facility<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Continue construction of first commercial facility</li> <li>• Continue drilling program and connect wells to commercial facility via pipeline</li> <li>• Begin evaluation of subsequent Phases of the Clearwater Project</li> </ul>

1. *Timing of procurement of equipment and materials and the commencement of construction of the commercial facility is subject to the receipt of all necessary permits and project financing*



## **SUMMARY**

Despite an oversupply of lithium in the market in 2024 which resulted in depressed lithium prices, the long-term outlook for global lithium supply continues to fall behind forecast demand spurred by the continued growth in demand for electric vehicles (“EV”s) and Energy Storage Systems (“ESS”) required to support growth of green energy solutions. E3 Lithium holds one of Canada’s largest lithium resources and is committed to minimize the environmental impact of lithium production while developing a reliable and sustainable supply chain.

E3 Lithium aims to ensure it manages its spending to ensure a stable financial position through our prudent cash flow management practices to enable the Company to advance its objectives.

Our dedicated team remains focused on moving towards building the first lithium from brine production facility in Canada. In 2025, the focus is de-risking the overall Alberta lithium industry with the 2025 Demonstration Facility, completing a key milestone in order to transition from a technology and resource developer to a lithium production company. Subject to obtaining project financing and bolstered with continued government support, the team at E3 Lithium is working hard to bring Phase 1 of the Clearwater Project on as soon as possible.

## SUMMARY OF OPERATIONS

### Operating Expenses

	Three months ended December 31			Year ended December 31		
	2024	2023	% Change	2024	2023	% Change
Operating expenses	-	(32)	(100%)	-	216	(100%)

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, 2024, the Company incurred no operating expenses as compared to \$0.03 million in operating expense recovery and \$0.2 million in operating expenses in the prior year, respectively. 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		
	2024	2023	% Change	2024	2023	% Change
Business development and marketing	355	563	(37%)	1,946	2,682	(27%)

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, 2024, business development and marketing expenses were \$0.4 million and \$1.9 million, respectively compared to \$0.6 million and \$2.7 million in the comparative periods of 2023. The Company incurred higher marketing expenses in the prior year with the successful completion of its field pilot plant.

### General and Administrative

	Three months ended December 31			Year ended December 31		
	2024	2023	% Change	2024	2023	% Change
General and administrative	1,441	1,167	23%	5,637	4,049	39%

General and administrative expenses were \$1.4 million and \$5.6 million for the three months and year ended December 31, 2024, compared to \$1.2 million and \$4.0 million in the year prior. General and administrative costs increased relative to the prior year due to higher staffing costs, insurance, and general office-related expenditure, including costs related to the Company's corporate head office expansion.

## Share-Based Compensation

	Three months ended December 31			Year ended December 31		
	2024	2023	% Change	2024	2023	% Change
Share-based compensation	<b>589</b>	666	(12%)	<b>3,000</b>	2,527	19%

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, 2024, share-based compensation was \$0.6 million and \$3.0 million, compared to \$0.7 million and \$2.5 million in the comparable prior year periods.

	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	<b>3,163,000</b>	<b>1.54</b>
Exercised	<b>(200,000)</b>	<b>1.38</b>
Forfeited/expired	<b>(1,017,500)</b>	<b>3.04</b>
<b>Balance, December 31, 2024</b>	<b>6,761,750</b>	<b>2.05</b>

Subsequent to the year, on March 7, 2025, the Company repriced all non-executive staff's current and non-exercised stock options. There were 2.1 million stock options with an exercise price between \$1.10 to \$2.75 revalued to \$0.81 per unit. All other terms of the grants remain the same and all changes are subject to the approval of the TSXV.

## Financing Expenses

	Three months ended December 31			Year ended December 31		
	2024	2023	% Change	2024	2023	% Change
Accretion	<b>3</b>	(3)	(>100%)	<b>13</b>	4	>100%
Interest on leases	<b>22</b>	12	83%	<b>55</b>	47	17%

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. During the fourth quarter, the Company expanded its corporate head office to accommodate growing staff, resulting in a minor increase in lease interest expense.

## Depreciation

	Three months ended December 31			Year ended December 31		
	2024	2023	% Change	2024	2023	% Change
Depreciation	<b>101</b>	50	>100%	<b>254</b>	175	45%

Depreciation in 2024 increased primarily due to office additions related to the Company's corporate head office expansion.

## Other Income

	Three months ended December 31			Year ended December 31		
	2024	2023	% Change	2024	2023	% Change
Interest income	<b>216</b>	289	(25%)	<b>1,205</b>	658	83%

The Company recorded interest income of \$0.2 million and \$1.2 million for the three months and year ended December 31, 2024 as compared to \$0.3 million and \$0.7 million in the prior year periods, respectively. Interest income results from the Company's short-term savings deposits. For the year ended December 31, 2024, the Company had a higher average cash balance due to bought deal financings completed in June and September 2023 resulting in higher interest income compared to the same period in prior year.

## Net Loss

The Company incurred a net loss of \$2.3 million and \$0.03 per common share during the three months ended December 31, 2024, compared to a net loss \$2.1 million and \$0.03 per common share in the prior year period.

The Company incurred a net loss of \$9.7 million and \$0.13 per common share during the year ended December 31, 2024, compared to a net loss of \$9.0 million and \$0.13 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 costs related to the development of the Company's lithium resources
- Property and equipment ("P&E") – corporate assets such as leasehold improvements, 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		
	2024	2023	% Change	2024	2023	% Change
E&E expenditures	<b>3,647</b>	5,744	(37%)	<b>9,673</b>	13,067	(26%)
P&E expenditures	<b>81</b>	14	>100%	<b>298</b>	47	>100%
Intangible asset expenditures	<b>36</b>	246	(85%)	<b>52</b>	2,508	(98%)
Total capital expenditures	<b>3,764</b>	6,004	(37%)	<b>10,023</b>	15,622	(36%)

E&E expenditures were \$3.7 million and \$9.7 million for the three months and year ended December 31, 2024, compared to \$5.7 million and \$13.1 million in the comparative prior year periods, respectively. During the prior

year, the Company incurred higher procurement and construction costs as part of its field pilot plant. Additionally, in the prior year, the Company incurred higher geological and geophysical costs related to its March 2023 upgrade of its mineral resource. E&E expenditures in the current year primarily relate to costs incurred for the Company's PFS which was completed in July 2024 and engineering work and planning for its 2025 Demonstration Facility and Feasibility Study.

In the first quarter of 2024, the Company selected a third-party DLE to move forward with its first project for commercial operations. Internal resources have been reallocated towards the Company's project development resulting in fewer costs being included in intangible expenditures.

P&E expenditures were \$0.1 million and \$0.3 million for the three months and year ended December 31, 2024, compared to \$0.01 and \$0.05 million in the comparative prior year periods, respectively. The Company incurred higher P&E expenditures in the current year from entering new office space and purchasing related equipment and furniture, as well as the onboarding of additional staff with no such similar increases in the prior year.

### **Impairment Analysis**

As at December 31, 2024, there were no indicators of impairment and the Company does not consider its exploration and evaluation or intangible assets to be impaired.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements as at December 31, 2024.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company reported a working capital of \$18.1 million at December 31, 2024 (December 31, 2023 - \$32.0 million). During the year ended December 31, 2024, the Company:

- used \$6.7 million (2023 – \$5.9 million) in operating activities primarily due to increases in general and administrative expenses offset by interest income;
- used \$10.7 million (2023 – \$13.8 million) in investing activities primarily due to engineering work on the PFS and ordering long-lead items for the Company's upcoming Demonstration Facility;
- generated \$6.7 million in financing activities (2023 – \$36.4 million) primarily as a result of the receipt of government grants in support of the Company's move to commercialization.

As at December 31, 2024, the Company had net cash on hand of \$19.3 million compared to cash on hand of \$30.0 million at December 31, 2023.

### **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, 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 and received in early 2024.

#### *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, 2024 (December 31, 2023 – nil).

As at December 31, 2024, life-to-date claims under the SIF grant is \$9.7 million (December 31, 2023 – \$7.2 million) and the contingent obligation related to SIF is estimated to be \$13.5 million (December 31, 2023 – \$10.1 million). As at December 31, 2024, there is \$1.1 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 has submitted and been reimbursed for eligible expenses throughout the term of the agreement.

As at December 31, 2024, life-to-date claims under the NRCan CMRDD grant are \$3.5 million (2023 - \$3.2 million) and the Company has received all \$3.5 million (December 31, 2023 - \$2.9 million).

*Emissions Reduction Alberta ("ERA")*

On August 15, 2024, ERA announced a \$5 million investment to support E3 Lithium's path to commercialization. The funds are non-dilutive and non-repayable and are reported on a milestone basis. 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.

As at December 31, 2024, there have been no claims submitted to date.

*Critical Minerals Infrastructure Fund ("CMIF")*

Subsequent to year end, on March 20, 2025, CMIF announced \$4.4 million in non-refundable funding to support E3 Lithium's path to commercialization. The Company plans to use the funds to undertake preconstruction work on the necessary transportation and energy infrastructure to develop the Clearwater Project. This includes facilitating electrical connection and substation power studies, transportation assessments, and the associated engagement initiatives, which are key deliverables for supporting the Demonstration Facility and Feasibility Study.

## Share Capital

The table below summarizes the change in share capital:

Number of Shares	December 31, 2024	December 31, 2023
Balance, beginning of year	75,069,397	63,229,773
Share issuance	-	8,985,483
Exercise of stock options and warrants	200,000	2,854,141
<b>Balance, end of year</b>	<b>75,269,397</b>	<b>75,069,397</b>

### 2024

During the year ended December 31, 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 over-allotment 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 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 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.

As at April 24, 2025 there were 75,459,397 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, 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
<b>Balance, December 31, 2024</b>	<b>3,752,416</b>	<b>0.32</b>

Subsequent to the year, on February 28, 2025, the Company and Imperial Oil Limited’s (“IOL”) entered into a Project Completion Agreement to finalize the rights and lease agreements for the freehold mineral tenure held by IOL for the Company’s use in its Clearwater Project. The strategic agreement provided a mineral lease for 110 sections of the IOL freehold interest in the Clearwater Project Area with a primary term and renewable 10-year

term on the mineral title. The Project Completion Agreement includes the cancellation of 3,413,979 warrants granted to IOL upon the payment of \$4.15 million, payable over the first three quarters of 2025.

### 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, 2024:

As at December 31,	2025	2026	2027	2028	2029	Thereafter	Total
Office leases <sup>(1)</sup>	349	353	356	256	129	-	1,443
Mineral license fees	1,805	1,805	1,805	6,961	1,805	14,440	28,621
<b>Total</b>	<b>2,154</b>	<b>2,158</b>	<b>2,161</b>	<b>7,217</b>	<b>1,934</b>	<b>14,440</b>	<b>30,064</b>

(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, 2024 and 2023, the remuneration for key management personnel was as follows:

Year ended December 31	2024	2023
Salaries and benefits	1,212	1,023
Share-based compensation	1,370	938
<b>Total</b>	<b>2,582</b>	<b>1,961</b>

## SUBSEQUENT EVENTS

*See Government Grants*

*See Warrants*

*See Share-based Compensation*



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## **MATERIAL ACCOUNTING ESTIMATES**

The Company's material 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**

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, 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 and due from related parties.

Accounts receivable outstanding as at December 31, 2024, 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, 2024, the Company has positive working capital of \$18.1 million (December 31, 2023 - \$32.0 million) and does not foresee a shortfall in capital within the next twelve months.

## **RISK FACTORS**

### **Liquidity and Capital Resources**

The Company's development and exploration activities may depend upon the Company's ability to obtain financing through equity financing, debt financing, joint ventures or other means. 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, perceptions of investors and potential joint venture partners 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, 2024. 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. The Company's ability to progress the Clearwater Project is dependent upon its ability to raise financing through equity financing, debt financing, joint ventures or other means in order to progress its upcoming demonstration facility, feasibility study, and move towards a commercial lithium project.

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**SUMMARY OF QUARTERLY INFORMATION**

	<b>Q4 2024</b>	<b>Q3 2024</b>	<b>Q2 2024</b>	<b>Q1 2024</b>
Net loss	<b>(2,295)</b>	(2,602)	(2,434)	(2,369)
Net loss per share	<b>(0.03)</b>	(0.03)	(0.03)	(0.03)
Total assets	<b>54,968</b>	55,308	55,994	59,000
Total liabilities	<b>4,240</b>	2,874	1,686	3,061
Common shares outstanding	<b>75,269,397</b>	75,269,397	75,269,397	75,269,397

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

**SELECTED ANNUAL INFORMATION**

	<b>2024</b>	<b>2023</b>	<b>2022</b>
Net loss	<b>(9,700)</b>	(9,044)	(6,944)
Loss per share	<b>(0.13)</b>	(0.13)	(0.12)
Total assets	<b>54,968</b>	61,987	36,101
Total liabilities	<b>4,240</b>	4,835	2,629
Capital expenditures	<b>10,023</b>	15,622	14,074

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## FORWARD-LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain information included in this MD&A may constitute forward-looking statements. Generally, forward-looking statements can be identified by the use of forward-looking language such as “plans”, “expects”, “budgets”, “schedules”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, “proposed”, “potential” or variations of such words and phrases, and statements that certain actions, events or results “may”, “could”, “would”, “might”, “will be taken”, “will occur” or “will be achieved”. Statements concerning “mineral resource” or “mineral reserve” estimates (within the meaning of NI 43-101) may also be deemed to be forward-looking information to the extent that they involve estimates of mineralization. Forward-looking statements are based on the opinions and estimates of E3 Lithium as of the date such statements are made. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of E3 Lithium to be materially different from those expressed or implied by such forward-looking statements, including, but not limited to, risks related to: 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 capital through equity financing, debt financing, joint ventures or other means in order to meet its milestones, conduct its planned exploration programs and to continue exploration and development 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 therefrom; 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.

[investor@e3lithium.ca](mailto:investor@e3lithium.ca)  
[e3lithium.ca](http://e3lithium.ca)

TSX.V: ETL | FSE: OW3 | OTCQX: EEMMF

