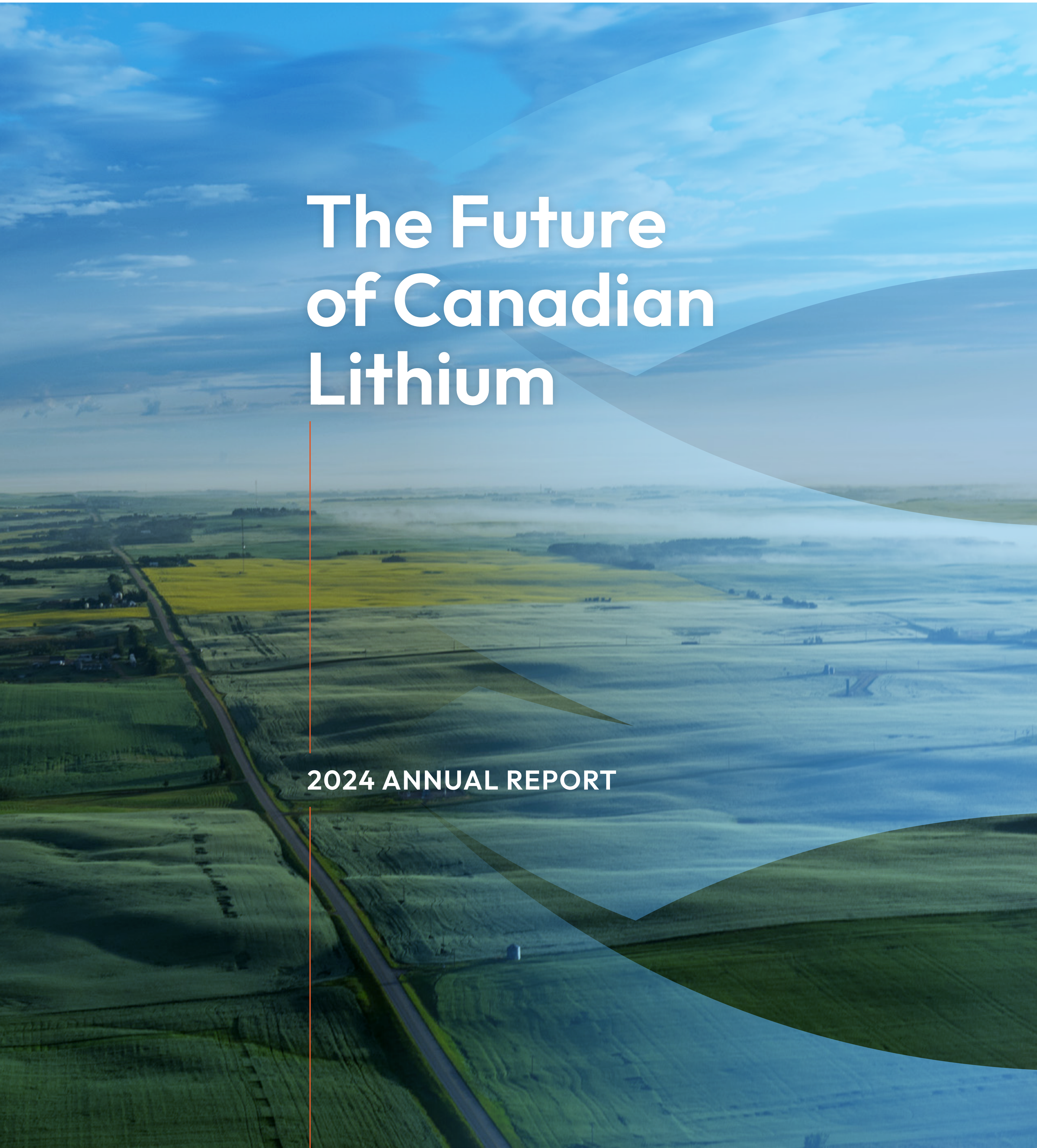
E3 LITHIUM



The Future of Canadian Lithium

2024 ANNUAL REPORT

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.

"Building on the achievements of 2024, our 2025 development plans are positioning the Clearwater Project to be fully permitted in 2026."

In July, the Company successfully completed a National 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 Canadas'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

Chris Doornbos
President & CEO

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2024

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 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, 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 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'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

"E3 Lithium 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."

1.1 Mt LCE

Established Canada's First Lithium-in-Brine Proven and Probable Reserves

99.71%

high purity, battery-quality lithium carbonate produced in the laboratory in Calgary

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 strategical 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 of 24.6%. Within the Clearwater Project, converted 1.3Mt LHM (1.1Mt 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 Facility 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.

"The resource base across Bashaw District could support future development of several additional commercial facilities of similar size."

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 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.

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[1]:** 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.

[1] *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*

No freshwater aquifer interaction

zero liquid discharge

philosophy deployed by The Clearwater project

$44.8 M

in available capital including year end working capital of $18.1 M and an aggregate of $26.7 million of available grants

- **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.

"E3 Lithium's diverse workforce includes 50% female employees bringing valuable perspectives to leadership and sets a clear example of our commitment to equality."

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 83kt 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[2]. 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.

"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."

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

[2] Benchmark Minerals Intelligence Lithium Market Overview Q1 2025; Benchmark Minerals Intelligence Lithium Forecast Report Q1 2025

12,000 tonnes per year

approximate annual LCE production capacity in first phase of The Clearwater Project

"E3 Lithium plans to construct a Demonstration Facility to demonstrate the operations of continuous brine production to battery-quality lithium carbonate."

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.

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 of 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

- Secure addition mineral leases required in Clearwater Project area
- Commission 2025 Demonstration Facility
- Initiate Feasibility Study (FS) – for Phase 1 of Clearwater Project
- Begin detailed engineering
- Advance Strategic Joint Ventures, Partnerships & Offtake Agreements
- Progress Feasibility Study & Regulatory Requirements
- Initiate Formal Stakeholder Engagement
- Submit Environmental & Licensing Applications

2026

- Publish Phase 1 FS completion
- Operate Demonstration Facility to validate commercial capability
- Advance and secure project financing
- Procure equipment and materials[3]
- Commence commercial drilling program, pending regulatory approvals
- Begin construction of Phase 1 of first commercial facility[3]

2027

- Continue construction of first commercial facility
- Continue drilling program and connect wells to commercial facility via pipeline
- Begin evaluation of subsequent Phases of the Clearwater Project

[3] 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

"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."

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	**589**	666	(12%)	**3,000**	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	**3,163,000**	**1.54**
Exercised	**(200,000)**	**1.38**
Forfeited/expired	**(1,017,500)**	**3.04**
Balance, December 31, 2024	**6,761,750**	**2.05**

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	**3**	(3)	(>100%)	**13**	4	>100%
Interest on leases	**22**	12	83%	**55**	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	**101**	50	>100%	**254**	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	**216**	289	(25%)	**1,205**	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	**3,647**	5,744	(37%)	**9,673**	13,067	(26%)
P&E expenditures	**81**	14	>100%	**298**	47	>100%
Intangible asset expenditures	**36**	246	(85%)	**52**	2,508	(98%)
Total capital expenditures	**3,764**	6,004	(37%)	**10,023**	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 2025 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
Balance, end of year	**75,269,397**	75,069,397

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 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 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
Balance, December 31, 2024	**3,752,416**	**0.32**

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 (1)	349	353	356	256	129	-	1,443
Mineral license fees	1,805	1,805	1,805	6,961	1,805	14,440	28,621
Total	**2,154**	**2,158**	**2,161**	**7,217**	**1,934**	**14,440**	**30,064**

(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
Total	**2,582**	1,961

Subsequent Events

See Government Grants
See Warrants
See Share-based Compensation

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 Project

The Company's business strategy depends in large part on developing the Clearwater Project. The capital expenditures and time required to develop the Clearwater 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 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.

Summary of Quarterly Information

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

	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

Selected Annual Information

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

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 deceases 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.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements and for the consistency therewith of all other financial and operating data presented in this report. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes thereto. In Management's opinion, the consolidated financial statements are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, have been prepared within acceptable limits of materiality, and have utilized supportable, reasonable estimates.

To meet its responsibility for reliable and accurate financial statements, management has established and monitors systems of internal control which are designed to provide reasonable assurance that financial information is relevant, reliable and accurate, and that assets are safeguarded and transactions are executed in accordance with management's authorization.

The Board of Directors approves the consolidated financial statements. Their financial statement-related responsibilities are fulfilled primarily through the Audit Committee. The Audit Committee is composed entirely of independent directors, and includes at least one director with financial expertise. The Audit Committee meets regularly with Management and the external auditors to discuss reporting and control issues and ensures each party is properly discharging its responsibilities. The Audit Committee also considers the independence of the external auditors and reviews their fees.

The consolidated financial statements have been audited by MNP LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders.

Signed *"Chris Doornbos"*
Chief Executive Officer

Signed *"Raymond Chow"*
Chief Financial Officer

To the Shareholders of E3 Lithium Ltd.:

Opinion

We have audited the consolidated financial statements of E3 Lithium Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of intangible assets in development

Key Audit Matter Description

As disclosed in note 7 to the consolidated financial statements, the Company had $4.5 million of intangible assets in development and not yet ready for use as at December 31, 2024. The intangible assets relate to the direct lithium extraction technology that the Company is in the process of developing. An impairment assessment is conducted annually at the year-end statement of financial position date or earlier if events and circumstances dictate. An impairment loss is recognized if the carrying amount of the intangible assets exceeds its recoverable amount. The assumptions applied by management in estimating the recoverable amount included projected royalties, projected annual revenues and discount rates. No impairment loss was recorded during the year. We considered this a key audit matter due to the significant judgments made by management in developing the assumptions to determine the recoverable amount of the intangible assets as at December 31, 2024.

MNP LLP
Suite 2000, 112 - 4th Avenue SW, Calgary AB, T2P 0H3 1.877.500.0792 T: 403.263.3385 F: 403.269.8450

Audit Response

We responded to this matter by performing procedures in relation to the recoverable amount of the intangible assets as at December 31, 2024. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated the appropriateness of the model developed by management in determining the recoverable amount of the assets.
- Tested the reasonableness of the inputs used in determining the recoverable amount of the assets to external third party information as well as industry forecasts for the lithium industry.
- With the assistance of professionals with specialized skill and knowledge in the field of valuation, assessed the appropriateness of the royalty and discount rates utilized within the model.
- Performed a sensitivity analysis on the inputs applied in the model.
- Evaluated the reasonableness of key inputs and assumptions used in the impairment calculation including the future forecasted price of lithium.
- Examined the disclosure made in the consolidated financial statements.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Calgary, Alberta

MNP LLP

April 24, 2025

Chartered Professional Accountants

MNP

Consolidated Statements of Financial Position

As at

(CAD$ thousands)	Notes	**December 31, 2024**	December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	20	**19,321**	30,018
Accounts receivable	15	**1,288**	5,458
Prepaid expense		**641**	534
		21,250	36,010
Exploration and evaluation assets	5	**27,973**	20,777
Property and equipment	6	**372**	171
Intangible assets	7	**4,552**	4,511
Right-of-use assets	8	**821**	518
Total assets		**54,968**	61,987
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**2,913**	3,808
Current portion of lease obligations	9	**230**	156
		3,143	3,964
Lease obligations	9	**686**	481
Decommissioning obligations	10	**411**	390
Total Liabilities		**4,240**	4,835
Share capital	11	**83,492**	83,012
Contributed surplus		**17,810**	15,014
Contributed capital		**1,987**	1,987
Accumulated other comprehensive loss		**(75)**	(75)
Deficit		**(52,486)**	(42,786)
Total shareholders' equity		**50,728**	57,152
Total liabilities and shareholders' equity		**54,968**	61,987
Subsequent events	12, 15		
Commitments	18		

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

Signed *"John Pantazopoulos"*
Chairman

Signed *"Tina Craft"*
Audit Committee Chair

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31

(CAD$ thousands, except share and per share amounts)	Notes	**2024**	2023
Expenses			
Operating expenses		**-**	216
Business development and marketing		**1,946**	2,682
General and administrative	19	**5,637**	4,049
Share-based compensation	12	**3,000**	2,527
Financing expenses		**68**	53
Depreciation	6, 8	**254**	175
Total expenses		**10,905**	9,702
Other Income			
Interest income		**1,205**	658
Total other income		**1,205**	658
Net loss and comprehensive loss		**(9,700)**	(9,044)
Per common share (dollars)			
Net loss – basic and diluted		**(0.13)**	(0.13)
Weighted average number of common shares outstanding			
Basic and diluted	11	**75,256,282**	68,211,456

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31

(CAD$ thousands, except share amounts)	Notes	Number of Common Shares	Share Capital	Contributed Surplus	Contributed Capital	Accumulated Other Comprehensive Income	Deficit	Total
January 1, 2023		63,229,773	52,701	12,601	1,987	(75)	(33,742)	33,472
Net loss and comprehensive loss		-	-	-	-	-	(9,044)	(9,044)
Share issuance	11	8,985,483	28,649	-	-	-	-	28,649
Share issuance costs	11	-	(2,795)	718	-	-	-	(2,077)
Exercise of options and warrants	12	2,854,141	4,457	(832)	-	-	-	3,625
Share-based compensation	12	-	-	2,527	-	-	-	2,527
December 31, 2023		75,069,397	83,012	15,014	1,987	(75)	(42,786)	57,152
Net loss and comprehensive loss		-	-	-	-	-	(9,700)	(9,700)
Exercise of options and warrants	12	200,000	480	(204)	-	-	-	276
Share-based compensation	12	-	-	3,000	-	-	-	3,000
December 31, 2024		**75,269,397**	**83,492**	**17,810**	**1,987**	**(75)**	**(52,486)**	**50,728**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31

(CAD$ thousands)	Notes	2024	2023
Cash Used in Operating Activities			
Net loss and comprehensive loss		**(9,700)**	(9,044)
Non-cash items:			
Share-based compensation	12	**3,000**	2,527
Depreciation	6, 8	**254**	175
Interest expense on lease obligations	9	**55**	47
Accretion	10	**13**	4
Gain on lease	8, 9	**(63)**	-
Change in non-cash working capital	19	**(237)**	433
Cash flow used in operating activities		**(6,678)**	(5,858)
Cash Used in Investing Activities			
Exploration and evaluation asset expenditures	5	**(9,673)**	(13,067)
Property and equipment expenditures	6	**(298)**	(47)
Decommissioning liability expenditures	10	**-**	(72)
Intangible assets expenditures	7	**(52)**	(2,508)
Change in non-cash working capital	19	**(682)**	1,886
Cash used in investing activities		**(10,705)**	(13,808)
Cash From Financing Activities			
Proceeds from share issuance, net of issuance costs	11	**-**	26,572
Proceeds from exercise of options and warrants	12	**276**	3,625
Government grants	5, 7, 15	**2,496**	7,113
Repayment of lease obligations	9	**(173)**	(103)
Change in non-cash working capital	19	**4,087**	(772)
Cash from financing activities		**6,686**	36,435
Change in cash and cash equivalents		**(10,697)**	16,769
Cash and cash equivalents – beginning of year		**30,018**	13,249
Cash and cash equivalents – end of year	20	**19,321**	30,018
The following are included in cash flows from operating activities:			
Interest received in cash		**1,205**	658

See accompanying notes to the consolidated 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 December 31, 2024, the Company has not generated revenues from operations and has an accumulated deficit of $52.5 million (2023 - $42.8 million) including a net loss and comprehensive loss of $9.7 million (2023 – $9.0 million) as at and for the year ended December 31, 2024. The Company's ability to continue as a going concern is dependent upon its ability to raise equity financing to progress its upcoming demonstration facility, feasibility study, and move towards a commercial lithium project.

2 | Basis of Presentation

Statement of compliance

These financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. These consolidated financial statements were authorized for issue by the Board of Directors on April 24, 2025.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except as disclosed in note 3. All financial information is presented in the Company's functional currency, which is Canadian dollars.

Use of estimates and judgements

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

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.

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

- 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 had no impact on the consolidated financial statements as they are not applicable for the Company.

Recent accounting pronouncements not yet adopted

The IASB has issued the following new standard and amendments to existing standards that will become effective in future years. Standards that are not applicable to the Company have been excluded from this note:

- Amendments to IFRS 9, *Financial Instruments,* and IFRS 7, *Financial Instruments: Disclosure,* - Classification and measurement of Financial Instruments, are effective January 1, 2026.
- IFSR 18, *Presentation and Disclosure in Financial Statements* – New standard to provide new presentation and disclosure requirements and will replace IAS 1, *Presentation of Financial Statements*, is effective January 1, 2027, with earlier adoption permitted.

The Company is assessing the impacts, if any, these amendments to existing standards will have on its consolidated financial statements and does not expect significant impacts.

Consolidation

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

The subsidiaries of the Company are as follows:

		Percentage Ownership	
	Country of Incorporation	**December 31, 2024**	**December 31, 2023**
1975293 Alberta Ltd.	Canada	100%	100%
Mexigold Resources SA de CV ("Mexigold") (1)	Mexico	100%	100%
2437798 Alberta Ltd.	Canada	100%	100%

(1) Mexigold is inactive and has no assets.

Functional currency

The functional currency of each legal entity is measured using the currency of the primary economic environment in which it operates.

Foreign currency translation

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items are measured at historical cost using the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Realized and unrealized gains and losses arising on the translation or settlement of foreign currency transactions are recognized in the consolidated statements of loss and comprehensive loss in the period in which they arise.

Cash and cash equivalents

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

Financial instruments

E3 Lithium's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due from related parties. The Company recognizes financial assets and financial liabilities when the Company becomes a party to the contractual provisions of the instrument.

Measurement

Financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are removed from the financial statements when the liability is extinguished either through settlement of or release from the obligation of the underlying liability.

Amortized Cost

Financial assets are measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual cash flows give rise on specified dates to cash flows that are solely payments of principal and interest. Financial liabilities are measured at amortized cost using the effective interest method. Accounts receivable, accounts payable and accrued liabilities, and due from related parties are carried at amortized cost.

Fair Value Through Other Comprehensive Income ("FVTOCI")

A financial asset shall be measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest ("SPPI") on the principal amount outstanding. The Company has no financial instruments carried at FVTOCI.

Fair Value Through Profit or Loss ("FVTPL")

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

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

Exploration and evaluation ("E&E") assets

E&E costs include expenditures for an area where technical and commercial feasibility has not yet been demonstrated. E&E costs include but are not limited to: mineral permit acquisition costs, geological, geochemical and geophysical studies, land acquisitions, technical services, seismic, exploratory drilling, and estimated decommissioning costs.

E&E costs are recognized on the date that the Company acquires legal rights to explore a mineral property and are classified within E&E until technical and economic feasibility is determined, at which time E&E assets are tested for impairment and reclassified to property and equipment. E&E assets are not depleted. Gains and losses on disposal of any E&E is determined by comparing the proceeds from disposal with the carrying amount of the related E&E and is recognized as a gain or loss on disposal in the consolidated statements of loss and comprehensive loss.

Property and equipment ("P&E")

P&E expenditures are recorded at cost less accumulated depreciation and impairment losses. P&E costs include its purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent expenditures are measured if the cost can be measured reliably and future economic benefits are probable. Gains and losses on disposal of any P&E is determined by comparing the proceeds from disposal with the carrying amount of the related P&E and is recognized as a gain or loss on disposal in the consolidated statements of loss and comprehensive loss.

P&E is depreciated over their estimated useful economic lives at the following rates and basis:

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

Intangible assets

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

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement date, right-of-use assets are measured at cost, where cost comprises (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

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

Share capital

The Company records proceeds from share issuances net of share issue costs as equity.

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

Impairment of assets

Financial assets

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

Non-financial assets

The Company assesses whether there are indications of impairment of non-financial assets at each reporting date. If indications of impairment exist, the Company estimates the asset or Cash Generating Unit ("CGU")'s recoverable amount, which is the higher of an asset or CGUs fair value less costs of disposal ("FVLCD") and its value-in-use ("VIU"). See note 4 for the Company's determination of CGUs.

FVLCD represents the value for which an asset or CGU could be sold in an arms-length transaction. VIU is estimated as the discounted present value of future cash flows expected to arise from the continued use of the asset or CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and an impairment loss is recognized in the consolidated statements of loss and comprehensive loss.

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

Government grants

The Company has applied for, was awarded, and received grants from various provincial and federal government agencies. These grants are recognized as eligible costs are incurred and/or defined milestones are achieved and there is reasonable certainty the Company will be in compliance with the conditions of the grant agreements. Grant funds received are offset against the related costs incurred.

Share-based compensation

Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of goods or services received unless the fair value of the goods or services cannot be reliably measured. The transaction would then be measured at the fair value of the equity instruments issued. For stock options, the cost of the option is expensed or capitalized as an addition to non-monetary assets depending on the reason for the grant. The corresponding amount is recorded to contributed surplus. The fair value of options granted is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Income taxes

Income tax expense is comprised of current and deferred tax. Taxes are recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity.

Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, adjusted for amendments to tax payable with regards to previous years.

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

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

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

Loss per share

Loss per share is computed by dividing net loss by the weighted average number of shares outstanding during the reporting period.

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

Provisions, contingent liabilities, and contingent assets

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent assets and liabilities are not recognized. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic resources is remote. Contingent assets are disclosed where an economic inflow of resources is probable.

Decommissioning obligations

The Company recognizes a decommissioning obligation, with a corresponding increase to the carrying amount of the related Property and Equipment, or exploration and evaluation assets, in the period in which a reasonable estimate of the fair value can be made of the statutory, contractual, constructive, or legal liabilities associated with the cost of dismantling, site restoration, and remediation activities of the Company's well sites. The amount recognized is the estimated cost of the decommissioning, discounted to its present value using the credit adjusted discount rate. The estimates are reviewed periodically. Changes in the provision because of changes to the timing of expenditures, costs, or risk-free rates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to property and equipment, or exploration and evaluation assets. The unwinding of the discount on the decommissioning obligation is charged to the consolidated statements of loss and comprehensive loss. Actual costs incurred upon settlement of the obligations are charged against the provision to the extent of the liability recorded and the remaining balance of the actual costs is recorded in the consolidated statements of loss and comprehensive loss.

4 | Material Accounting Estimates, Judgments, and Assumptions

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

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

Going concern

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

Establishing CGUs

For the purpose of assessing impairment of its non-financial assets the Company determines the CGU, defined as being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The determination and classification of CGUs is subject to estimation uncertainty and may have a significant impact on subsequent impairment analysis. The Company has one CGU as at December 31, 2024 and 2023.

Amortization of E&E assets and Intangible assets

Amortization of E&E assets usually does not commence until assets are placed in service. Amortization of intangible assets begins when the asset is available for use. The Company applies judgement with respect to its determination of whether E&E and intangible assets have reached a feasible stage to commence amortization.

Impairment of E&E Assets

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

Impairment of other non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or CGU. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

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

Share-based compensation

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

Income taxes

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

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

Decommissioning obligations

Decommissioning obligations are present obligations for the cost of dismantling, site restoration, and remediation activities of the Company's well sites. Decommissioning obligations are recognized at the present value of future liabilities using a risk-free discount rate and accretion of the provision over time is recognized in the consolidated statements of loss and comprehensive loss.

Changes in the timing of restoration, estimated future cash flows, and discount rates are reflected in changes in estimates. Decommissioning costs are capitalized in the underlying asset and depreciated on a unit of production basis.

5 | Exploration and Evaluation Assets

Carrying Value	
Balance, January 1, 2023	12,273
Additions	13,067
Change in decommissioning costs (note 10)	226
Government grant (note 15)	(4,789)
Balance, December 31, 2023	20,777
Additions	**9,673**
Change in decommissioning costs (note 10)	**8**
Government grant (note 15)	**(2,485)**
Balance, December 31, 2024	**27,973**

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

6 | 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	**104**	**185**	**8**	**1**	**298**
Balance, December 31, 2024	**263**	**302**	**60**	**44**	**669**
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	**(48)**	**(26)**	**(8)**	**(15)**	**(97)**
Balance, December 31, 2024	**(157)**	**(68)**	**(53)**	**(19)**	**(297)**
Carrying Value					
Balance, December 31, 2023	50	75	7	39	171
Balance, December 31, 2024	**106**	**234**	**7**	**25**	**372**

7 | Intangible Assets

Carrying Value	
Balance, January 1, 2023	4,327
Additions	2,508
Government grant (note 15)	(2,324)
Balance, December 31, 2023	4,511
Additions	**52**
Government grant (note 15)	**(11)**
Balance, December 31, 2024	**4,552**

The Company's intangible assets relate to its proprietary Direct Lithium Extraction ("DLE") technology.

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

8 | Right-Of-Use Assets

Cost	
Balance, January 1, 2023	559
Additions	109
Balance, December 31, 2023	668
Additions	**608**
Disposals	**(227)**
Balance, December 31, 2024	**1,049**

Accumulated Depreciation	
Balance, January 1, 2023	(33)
Depreciation	(117)
Balance, December 31, 2023	(150)
Depreciation	**(157)**
Disposals	**79**
Balance, December 31, 2024	**(228)**

Carrying Value	
Balance, December 31, 2023	518
Balance, December 31, 2024	**821**

9 | Lease Obligations

Carrying Value	
Balance, January 1, 2023	584
Additions	109
Interest	47
Repayments	(103)
Balance, December 31, 2023	637
Additions	**608**
Disposals	**(211)**
Interest	**55**
Repayments	**(173)**
Balance, December 31, 2024	**916**

Carrying Value	
Future minimum lease payments	1,086
Discount	(170)
Balance, December 31, 2024	**916**
Current portion of lease obligations	230
Lease obligations	686
Balance, December 31, 2024	**916**

The Company's leases at December 31, 2024, relate to vehicle leases, corporate head office, and the research lab facility. A discount rate between 4.99% and 8.00% per annum was used to determine the present value of the lease obligations.

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

10 | 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	**13**
Balance, December 31 2024	**411**
Expected to be incurred within one year	**-**
Expected to be incurred beyond one year	**411**

Decommissioning obligations as at December 31, 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.

11 | Share Capital

Authorized Share Capital

Unlimited common shares with no par value.

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
Balance, end of year	**75,269,397**	75,069,397

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 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.

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

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.

12 | 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, December 31, 2024	**3,752,416**	**0.32**

Warrants outstanding and exercisable as at December 31, 2024:

Grant date	Exercise price ($)	Expiry Date	Remaining Life (years)	Warrants Outstanding and Exercisable
July 8, 2022 (1)	-	July 8, 2025	0.5	3,413,979
June 8, 2023	2.25	June 8, 2025	0.4	14,137
September 26, 2023	3.55	September 26, 2025	0.7	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 IOL. The warrants can be exercised at no further cost to IOL.

During the second quarter of 2024, as part of E3 Lithium and Imperial Oil Limited's ("IOL") 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 also agreed to extend the terms of the warrants (the "IOL Warrants") for an additional 12 months, exercisable until July 8, 2025.

Subsequent to the year, on February 28, 2025, the Company and 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.

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.

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

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.

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

The weighted average life of options outstanding at December 31, 2024, is 3.1 years (December 31, 2023 – 3.4).

The fair value of options 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	3.15% to 4.17%	3.15% to 4.40%
Expected stock price volatility	73% to 92%	86% to 92%
Expected life	One to five years	One to five years
Expected dividend yield	-	-
Fair value per option granted	$0.76 to $1.22	$1.51 to $3.07
Forfeiture rate	5.71%	3.95%

During the year ended December 31, 2024, the Company incurred $2.6 million (December 31, 2023 - $2.5 million) in share-based compensation expense in relation to the stock option plan.

Stock options outstanding and exercisable as at December 31, 2024:

Exercise price	**Weighted average exercise price**	**Weighted average remaining Life (years)**	**Outstanding**
$1.01 - $2.00	$1.56	3.3	3,353,000
$2.01 - $3.00	$2.51	2.9	3,380,000
$4.01 - $5.00	$4.40	3.7	28,750
Outstanding, end of year	**$2.05**	**3.1**	**6,761,750**
Exercisable, end of year	**$2.45**	**2.7**	**1,990,000**

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

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.

RSUs

During the first quarter of 2024, 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 to Vest (years)**
Balance, December 31, 2023	-	-	-
Granted	**427,000**	**1.54**	**0.2**
Forfeited/expired	**(5,000)**	**1.58**	**-**
Balance, December 31, 2024	**422,000**	**1.54**	**0.2**

The weighted average life of RSUs outstanding at December 31, 2024, is 0.2 years (December 31, 2023 – nil).

During the year ended December 31, 2024, the Company incurred $0.4 million (December 31, 2023 – nil) in share-based compensation expenses related to RSUs.

13 | 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:

For the year ended December 31,	**2024**	2023
Salaries and benefits	**1,212**	1,023
Share-based compensation	**1,370**	938
Total	**2,582**	1,961

14 | 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.

15 | 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.

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

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.

16 | Capital Management

The Company's objective when managing capital is to maintain a strong statement of financial position and sufficient liquidity to meet its short and long-term business objectives. The Company's capital structure is comprised of shareholders' equity of $50.7 million (2023 - $57.2 million) and working capital (defined as current assets less current liabilities) of $18.1 million (2023 - $32.0 million). Sources of capital for the Company include equity issuances and funding and grants from various government agencies. The Company's capital management objectives have not changed over the years presented. The Company is not exposed to any external capital requirements.

17 | Income Taxes

For the year ended December 31,	**2024**	2023
Loss before income taxes	**(9,700)**	(9,044)
Combined statutory tax rate	**23.0%**	23.0%
Computed tax recovery	**(2,231)**	(2,080)
Effects resulting from:		
Share-based compensation	**690**	581
Other	**(197)**	(684)
Change in unrecognized deferred tax assets	**1,738**	2,183
Total	**-**	-

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

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

As at December 31,	2024	2023
Investment tax credits	**3,147**	3,147
Lease obligation	**916**	638
Share issuance costs	**2,124**	3,271
SR&ED	**380**	380
Non-capital loss carry-forward	**30,630**	22,227
Other	**411**	390
Total	**37,607**	30,053

The deferred tax asset (liability) is comprised of the following deductible (taxable) temporary differences:

As at December 31,	2024	2023
Exploration and evaluation assets	**(7,712)**	(6,202)
Non-capital loss carry-forward	**7,712**	6,202
Total	**-**	-

At December 31, 2024, the Company has non-capital losses of $39.3 million that will expire between 2025 and 2044.

18 | 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 [1]	349	353	356	256	129	-	1,443
Mineral license fees	1,805	1,805	1,805	6,961	1,805	14,440	28,621
Total	**2,154**	**2,158**	**2,161**	**7,217**	**1,934**	**14,440**	**30,064**

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

19 | Supplemental Disclosures

The Company's general and administrative expenses consist of the following:

For the year ended December 31,	2024	2023
Wages and benefits [1]	**2,604**	2,074
General expenses	**3,033**	1,975
Total	**5,637**	4,049

(1) Total wages and benefits were $4.8 million (2023 - $4.1 million), of which $2.2 million (2023 - $2.1 million) were capitalized to exploration and evaluation and intangible assets.

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

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

For the year ended December 31,	2024	2023
Accounts receivable	**4,170**	(533)
Due to/from related parties	**-**	88
Prepaid expenses	**(107)**	(3)
Accounts payable and accrued liabilities	**(895)**	1,995
Total change in non-cash working capital	**3,168**	1,547
Operating activities	**(237)**	433
Investing activities	**(682)**	1,886
Financing activities	**4,087**	(772)
Total change in non-cash working capital	**3,168**	1,547

20 | Cash and Cash Equivalents

As at December 31,	2024	2023
Bank balances	**19,229**	29,960
Term deposits	**92**	58
Cash and cash equivalents in the statement of financial position	**19,321**	30,018

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