



Management's Discussion and Analysis

For the year ended December 31, 2025

PRESIDENT'S MESSAGE

Dear Shareholders,

This past year marked a significant period of progress for E3 Lithium as we continued to advance our strategy of becoming a leading supplier of sustainable, high-purity lithium products. Against the backdrop of continued global demand for critical minerals, we remained focused on disciplined execution, technological validation, and advancing the Company toward commercialization.

We achieved several key milestones that demonstrate meaningful progress toward our commercialization objectives. Notably, we successfully constructed and commissioned Phase 1 of our Demonstration Facility. Building on this work, we produced high-purity battery-grade lithium carbonate from the Demonstration Facility - an important technical milestone that demonstrates both the quality of our resource and the effectiveness of our process. In addition, we initiated Phase 2 of the Demonstration Facility including drilling two wells at the end of 2025, which are currently being completed.

During the year, we also made strong progress on the commercial front. We executed agreements with international partners for the potential sale of lithium carbonate and the supply of sorbents, further strengthening our market positioning as an international leader and establishing strategic relationships to support future development activities.

From a regulatory and project development perspective, we advanced our Clearwater Project by submitting our Environmental Protection and Enhancement Act (EPEA) application for the Clearwater Project Facility. Submitting this application marks a significant step forward in the permitting process and reflects our commitment to responsible and timely project development.

Financial discipline remained a priority. We successfully raised approximately \$20 million through a combination of financing and asset disposition initiatives, providing the capital necessary to support continued advancement of the project while maintaining flexibility as we move toward the next phase of development.

Equally important, we continued to strengthen our leadership team, bringing in additional expertise to support execution as we transition from development toward commercialization. The depth and experience of our team will be a key driver of our success in the years ahead.

These achievements are a testament to the dedication and capability of our employees, as well as the ongoing support of our shareholders and partners. Together, we are building a strong foundation for long-term value creation.

We have already had a strong start to 2026. Earlier this year, we delivered battery-grade lithium carbonate to various global customers to support offtake agreement execution. We also made additional progress on the permitting front and most recently received a significant grant from the Global Partnerships Initiative (GPI) which will support the completion of the Demonstration Facility and Feasibility Study.

We remain focused on advancing the Clearwater Project, progressing through permitting, deepening our commercial relationships, and continuing to demonstrate the strength of our technology. With clear momentum and a disciplined strategy, we are well positioned to play a meaningful role in supporting the energy supply chain required to support global growth.

On behalf of the leadership team, thank you for your continued trust and confidence in E3 Lithium.

Sincerely,

Chris Doornbos
President & CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") has been prepared by management as of April 8, 2026 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, 2025 and 2024 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.sedarplus.ca, including the Company's most recently filed Annual Information Form.

BUSINESS OVERVIEW

E3 Lithium is a lithium resource company with a focus on the commercial development of lithium extraction from brines contained within its mineral properties in Alberta, Canada. E3 Lithium's shares are listed on the TSX Venture Exchange under the symbol ETL, the OTCQX Exchange under the symbol EEMMF and on the Frankfurt Stock Exchange under the symbol OW3.

E3 LITHIUM'S UNIQUE VALUE PROPOSITION

E3 Lithium's primary focus is on its Clearwater Project located in central Alberta. The project location offers several key advantages: scale and size of resource, access to existing infrastructure, advanced technologies, leading environmental stewardship and a 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.

MARKET OUTLOOK

Lithium market fundamentals remain strong over the medium to long term, despite ongoing short-term volatility. Demand continues to be driven by global electrification trends, with electric vehicles (EVs), battery manufacturing expansion, and energy storage systems forming the core of structural growth.

Industry analysis, including Benchmark Mineral Intelligence, indicates that lithium demand will grow significantly through 2030, underpinned by accelerating gigafactory buildout and increasing penetration of EVs across major markets. In parallel, stationary energy storage is emerging as a meaningful second demand pillar, reducing reliance on EV growth alone and reinforcing the durability of overall lithium consumption.

On the supply side, while recent years have seen periods of oversupply and price correction, the medium-term outlook continues to point toward a tightening market. Structural constraints - including long project development timelines, technical complexity, and permitting challenges - limit the industry's ability to rapidly bring on new, reliable production. As a result, credible forecasts continue to anticipate a supply deficit emerging toward the end of the decade without significant additional investment.

Importantly, the market is increasingly differentiating between nominal supply and deliverable, battery-grade production. Execution risk, jurisdictional stability, and process reliability are becoming critical factors for downstream customers and investors.

For E3 Lithium, this environment reinforces the strategic importance of advancing a scalable, low-risk lithium resource in Alberta. As North America seeks to localize critical mineral supply chains, projects that can deliver

high-quality lithium products within stable jurisdictions are expected to command increasing strategic and commercial value.

Overall, while lithium markets may remain cyclical in the near term, the long-term outlook is characterized by strong demand growth, constrained supply expansion, and a potentially growing premium on secure, execution-ready projects - supporting E3's positioning within the evolving global lithium supply chain.

Q4 2025 HIGHLIGHTS

E3 Raised \$19 million of Capital Through Equity Financing and Disposition of Non-Core Assets to Advance its Clearwater Project

- E3 Lithium raised a total of \$13.4 million in gross proceeds in October 2025, through a public offering of units of E3 Lithium ("Units") at a price of C\$1.20 per Unit. Each Unit was comprised of one common share of the Company and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant"), with each Warrant entitling the holder to acquire one Common Share at a price of C\$1.50 per Common Share.
- The Company also received gross proceeds of \$5.5 million from the strategic sale of its non-core Saskatchewan based Estevan assets that closed in December 2025.

E3 Lithium and Axens Signed MOU for the Sale of Lithium Carbonate and Supply of Lithium Sorbent

- On October 16, 2025, E3 Lithium signed a non-binding memorandum of understanding (the "MOU") with Axens, a global provider of clean energy solutions and technologies, including Direct Lithium Extraction ("DLE") from brines that contemplates both the sale of lithium carbonate by E3 Lithium to Axens (the "Offtake") and for Axens to supply E3 Lithium with a lithium selective sorbent (the "Sorbent"). This strategic collaboration aims to leverage E3 Lithium's leadership in lithium from brine development and Axens' advanced technologies to address the growing demand for secure supply chains for critical minerals.

Demonstration Facility Phase 2 Progression with Drilling of Two Wells

- In October 2025, E3 Lithium commenced site construction and drilling of its brine production and injection wells as part of Phase 2 of its Demonstration Facility development.
- In December 2025, the Company successfully completed drilling these two wells as planned, with the objectives of collecting additional reservoir and brine chemistry data and completing a reservoir characterization test.

Submission of EPEA Application and Initiation of the Directive 056 Facility Notification and Consultation

- In December 2025, E3 Lithium submitted its Environmental Protection and Enhancement Act ("EPEA") application to the Alberta Energy Regulator ("AER"). The Company also initiated the formal AER Directive 056 ("D56") notification and consultation program for its Clearwater Project Central Processing Facility ("CPF").
- This represented a significant step in advancing E3's commercialization plans for lithium production in Alberta with the EPEA application describing the Clearwater Project, its main process operations, environmental management plans and mitigation strategies to be deployed by E3 to ensure its facility is operated safely and responsibly.

KEY EVENTS SUBSEQUENT TO YEAR END 2025

E3 Lithium Delivered Battery-Grade Lithium Carbonate to Global Partners and Off-takers

- In January 2026, the Company started delivering battery-grade lithium carbonate to multiple parties as part of its engagement with targeted offtake and strategic partners.
- The lithium carbonate was produced from the Company's Demonstration Facility and marked an important milestone as E3 advanced customer qualification and strategic partnership dialogue, reinforcing the Company's emerging role in the global lithium market

The Company Submitted Directive 056 Facility Licence Application

- In January 2026, E3 formally submitted an application to the AER in accordance with Directive 056: Energy Development Applications and Schedules ("D56"), for its Clearwater Project's Central Processing Facility ("CPF").
- An approved D56 licence will demonstrate that the CPF meets Alberta's safety, environmental, and land-use standards, and that E3 Lithium has completed meaningful engagement with stakeholders.
- The D56 along with EPEA which was submitted in late 2025, mark two key permits required by the provincial government authority to construct and operate the CPF.

E3 Lithium Received Conditional Approval for up to \$36.5 million in Federal Government Funding to Accelerate its Clearwater Project

- In March 2026, the Company received conditional approval for up to \$36.5 million in non-repayable funding through the Government of Canada's Global Partnerships Initiative (GPI) to accelerate the development of its Clearwater Project.
- This funding will support 75% of the Company's forecasted budget to complete E3's final phase of its Demonstration Facility and its Feasibility Study. The funding will enable the ongoing production of battery-grade lithium carbonate at an increased scale, de-risk E3's Direct Lithium Extraction (DLE) technology and finalize Clearwater Project's engineering to enable a Final Investment Decision (FID).

SUMMARY OF OPERATIONS

Exploration Expenses

	Three months ended December 31			Year ended December 31		
	2025	2024	% Change	2025	2024	% Change
Exploration expenses	83	-	100%	83	-	100%

Exploration evaluation expenses include costs incurred to identify and assess mineral resources, such as geological work, sampling, drilling and related technical studies to evaluate the potential viability of the Company's properties and other prospective areas. Exploration expenses were \$0.1 million for the three months and year ended December 31, 2025, as a result of limited exploration and evaluation activities undertaken during the period.

Business Development and Marketing

	Three months ended December 31			Year ended December 31		
	2025	2024	% Change	2025	2024	% Change
Business development and marketing	431	355	21%	1,326	1,946	(32%)

Business development expenditure primarily consists of costs related to establishing strategic relationships and evaluating potential offtake partnership opportunities. Marketing expenditure refers primarily to the costs of advertising, conferences, and external consulting fees incurred for brand development and strategic positioning. For the three months ended December 31, 2025, business development and marketing expenses were \$0.4 million, remaining relatively consistent with the same period in the prior year. For the year ended December 31, 2025, business development and marketing expenses were \$1.3 million compared to \$1.9 million in the prior year, with the decrease attributable to reduced marketing and advertising spend.

General and Administrative

	Three months ended December 31			Year ended December 31		
	2025	2024	% Change	2025	2024	% Change
General and administrative	1,161	1,441	(19%)	5,699	5,637	1%

General and administrative expenses were \$1.2 million in the fourth quarter of 2025, compared to \$1.4 million in the same quarter of the prior year. The decrease was primarily attributable to lower consulting and training costs compared with the prior year period. For the year ended December 31, 2025, general and administrative expenses were consistent with the prior year, as a result of lower consulting and training costs offset by higher personnel costs to support a growing workforce.

Share-Based Compensation

	Three months ended December 31			Year ended December 31		
	2025	2024	% Change	2025	2024	% Change
Share-based compensation	661	589	12%	2,640	3,000	(12%)

Share-based compensation refers to compensation expenses resulting from the issuance and vesting of equity-based awards. Share-based compensation may fluctuate due to changes in the expected achievement of milestone-based performance share units (“PSUs”), the vesting of existing awards, the issuance of new awards under the Company’s equity incentive plans, and the Company’s share price at the date of grant.

During the three months and year ended December 31, 2025, share-based compensation expenses were \$0.7 million and \$2.6 million, respectively, compared to \$0.6 million and \$3.0 million in the same periods of the prior year.

Share-based compensation decreased during the year ended December 31, 2025, compared to the same period in prior year, primarily due to lower fair values of equity awards granted, reflecting a lower share price, and the vesting of previously granted awards. These decreases were partially offset by the repricing of stock options and the issuance of PSUs and restricted share units (“RSUs”).

Stock Options

	Stock Options	Weighted Average Exercise Price (\$)
Balance, January 1, 2024	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
Granted	2,091,000	0.84
Exercised	(203,437)	0.81
Forfeited/expired	(1,621,560)	1.91
Balance, December 31, 2025	7,027,753	1.50

On March 6, 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 at \$0.81 per option. All other terms of the options remain the same. The modification resulted in an increase in incremental fair values ranging from \$0.04 to \$0.24 per option, which was calculated as the difference between the fair value of the repriced options and the original options on the modification date.

RSUs

	Restricted Share Units	Weighted Average Fair Value per Award (\$)
Balance January 1, 2024	-	-
Granted	427,000	1.54
Forfeited/expired	(5,000)	1.58
Balance, December 31, 2024	422,000	1.54
Granted	648,000	0.82
Released	(233,000)	1.48
Forfeited/expired	(32,000)	0.81
Balance, December 31, 2025	805,000	1.01

PSUs

	Performance Share Units	Weighted Average Fair Value per Award (\$)
Balance, December 31, 2024	-	-
Granted	861,600	0.84
Forfeited/expired	(128,000)	0.81
Balance, December 31, 2025	733,600	0.84

On March 7, 2025, the Company granted 509,600 PSUs to staff and 270,000 PSUs to directors and officers of the Company (“Insiders”) under the Omnibus Equity Incentive Plan (“Omnibus Plan”). PSUs will vest upon the attainment of Performance Goals identified by the Company’s Board of Directors, to be achieved during a Performance Period of 24 months following grant date and are settled with common shares. PSUs vest one year from the date of grant. Additional PSUs were granted to employees hired throughout the fiscal year in accordance with the terms of the Omnibus Plan.

More information about incentive securities can be found in note 12 of the financial statements.

Performance Goals are as follows:

- Successful demonstration program
- Securing a strategic partner or off-take agreement
- Completion of feasibility study
- Successful permitting, policy and stakeholder engagement
- Continued corporate financing

Finance Expenses

	Three months ended December 31			Year ended December 31		
	2025	2024	% Change	2025	2024	% Change
Interest on leases	15	22	(32%)	65	55	18%
Accretion	6	3	100%	15	13	15%
	21	25	(16%)	80	68	18%

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 prior year, the Company expanded its corporate head office to support a growing workforce, resulting in an increase in lease interest expense.

Depreciation

	Three months ended December 31			Year ended December 31		
	2025	2024	% Change	2025	2024	% Change
Depreciation	85	101	(16%)	365	254	44%

Depreciation for the year ended December 31, 2025, increased due to office additions from the Company's corporate head office expansion from the prior year.

Other Income

	Three months ended December 31			Year ended December 31		
	2025	2024	% Change	2025	2024	% Change
Interest income	100	216	(54%)	358	1,205	(70%)

Interest income decreased by \$0.1 million for the three months ended December 31, 2025, and by \$0.8 million for the year ended December 31, 2025, compared with the same periods in 2024. Interest income is earned on the Company's cash balances held in interest-bearing accounts and regulatory deposits. The decrease is due to lower average cash balances during the period, as well as a decline in benchmark interest rates relative to the prior year.

Net Income/Loss

The Company recorded income of \$1.3 million and \$0.02 per common share during the three months ended December 31, 2025, compared to a net loss of \$2.3 million and \$0.03 per common share in the prior year period.

The Company incurred a net loss of \$6.2 million and \$0.08 per common share during the year ended December 31, 2025, compared to a net loss of \$9.7 million and \$0.13 per common share in the prior year period.

CAPITAL EXPENDITURES

The Company has three main sources of capital expenditure:

- 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		
	2025	2024	% Change	2025	2024	% Change
E&E expenditures	9,420	3,647	158%	15,065	9,673	56%
P&E expenditures	-	81	(100%)	20	298	(93%)
Intangible asset expenditures	-	36	(100%)	32	52	(38%)
Total capital expenditures	9,420	3,764	150%	15,117	10,023	51%

E&E

E&E expenditures were \$9.4 million during the three months ended December 31, 2025, compared to \$3.6 million in the same period of the prior year. For the year ended December 31, 2025, E&E expenditures were \$15.1 million, compared to \$9.7 million in the same period of 2024.

During the three months ended December 31, 2025, expenditures increased relative to prior year due to the commencement of the Company’s Phase 2 demonstration program, which included the drilling of E3 Lithium’s third lithium well drilled into the Leduc Formation and associated field development activities.

E&E expenditures increased during the year ended December 31, 2025, due to the continued advancement of the Clearwater Project, including the completion of Phase 1 demonstration milestones, which validated the operability of the equipment and technology selection supporting E3 Lithium’s commercial facility designs, and the commencement of Phase 2 demonstration activities, including drilling, ongoing engineering, technical, and permitting activities in support of the project. During the prior year, E&E expenditures primarily related to costs incurred for the Company’s PFS which was completed in July 2024.

Intangibles

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 limited costs being included in intangible expenditures in both the current and prior year periods.

P&E

P&E expenditures were minimal for the three months and year ended December 31, 2025, and 2024. The Company incurred higher P&E expenditures in the prior year due to increased headcount and the corporate head office expansion.

Saskatchewan Sale

During 2025, the Company announced the sale of its non-core Saskatchewan-based assets with a carrying value of \$1.8 million. On December 11, 2025, the Company closed the sale for total proceeds of \$5.5 million. Total transaction costs were \$0.1 million. The disposition of assets held for sale resulted in a gain of \$3.7 million.

Impairment Analysis

As at December 31, 2025, 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, 2025.

LIQUIDITY AND CAPITAL RESOURCES

The Company reported working capital of \$13.8 million at December 31, 2025 (2024 - \$18.1 million). During the year ended December 31, 2025, the Company:

- used \$5.1 million (2024 – \$6.7 million), primarily due to lower business development and marketing activities as well as reduced interest income;
- invested \$8.5 million (2024 – \$10.7 million) in investing activities primarily due to engineering and subcontracting work on the Demonstration Facility as well as the procurement of long-lead equipment, offset by \$5.5 million in proceeds from the sale of the Company’s non-core Saskatchewan assets;
- generated \$10.5 million in financing activities (2024 – generated \$6.7 million) primarily due to the receipt of \$12.3 million in proceeds, net of issuance costs, from the close of a marketed equity offering in October 2025 (the “October offering”), offset by a \$4.2 million payment for the cancellation of 3.4 million warrants with Imperial Oil Limited (“IOL”).

As at December 31, 2025, the Company had net cash on hand of \$16.3 million compared to cash on hand of \$19.3 million at December 31, 2024.

Subsequent Event**Credit Facility**

Subsequent to year end, in February 2026, the Company entered into an operating loan facility with a Canadian financial institution with borrowing capacity of \$2 million. The credit facility may be drawn as Prime loans, CORRA loans, or letters of credit, and is available for general corporate purposes of the Company.

Borrowings under the facility bear interest at Prime + 2.75% or CORRA + 2.75%. The facility is repayable on demand and is secured by a general security agreement over the Company’s assets. In February 2026, the Company issued an irrevocable letter of credit for \$0.8 million to support project development costs.

Government Grants***Completed******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. The Company has received the full amount of this grant as the final payment was received in 2024 upon completion of the field pilot plant.

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. The Company has received the full amount of this grant as the final payment was received in 2024 upon completion of the field pilot plant.

In Progress

Strategic Response Fund ("SRF")

On November 28, 2022, the Company was awarded a \$27 million grant from the Government of Canada's Innovation, Science and Economic Development's SRF 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 SRF 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, 2025 (December 31, 2024 – nil).

As at December 31, 2025, life-to-date claims under the SRF grant are \$13.9 million (2024 - \$9.7 million) and the contingent obligation related to SRF is estimated to be \$19.4 million (2024 - \$13.5 million). As at December 31, 2025, there is \$3.0 million in accounts receivable related to SRF grants (2024 - \$1.1 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, 2025, there have been no claims submitted to date.

Critical Minerals Infrastructure Fund ("CMIF")

On March 20, 2025, CMIF announced \$4.4 million in non-repayable 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.

As at December 31, 2025, life-to-date claims under the CMIF grant are \$0.4 million, and as at December 31, 2025, there is \$0.4 million in accounts receivable relates to CMIF grants.

Subsequent Event

Global Partnerships Initiative ("GPI")

Subsequent to year end, on March 2, 2026, the Company received conditional approval for up to \$36.5 million of non-repayable funding through the Government of Canada's GPI, to accelerate the development of its Clearwater Project. With the funding, the Company will accelerate and expand the scope of its Demonstration Facility and the Company's Front End Engineering Design.

Share Capital

The table below summarizes the change in share capital:

Number of Shares	December 31, 2025	December 31, 2024
Balance, beginning of period	75,269,397	75,069,397
Share issuance	11,150,000	-
Exercise of stock options	203,437	200,000
Release of restricted share units	233,000	-
Balance, end of period	86,855,834	75,269,397

2025

During the year ended December 31, 2025, the Company issued 0.2 million common shares through the release of restricted share units with a release price of \$0.84, and 0.2 million common shares from the exercise of stock options with an exercise price of \$0.81. Total proceeds received were \$0.2 million year to date.

In October 2025, the Company closed its October offering for gross proceeds of \$13.4 million, including a partial over-allotment exercise for proceeds of \$1.3 million. Share issuance costs in relation to the October Offering were \$1.2 million comprised of cash commissions and closing costs. Under the October Offering, the Company issued 11.2 million common shares and 5.8 million warrants (note 12). Each warrant entitles the holder to acquire one additional common share at an exercise price of \$1.50 until the expiry date of October 14, 2028. Utilizing the residual value method, the fair value of common shares was recorded at \$11.2 million, and the warrants were recorded at \$1.0 million, respectively, net of issuance costs.

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.

At April 8, 2026, there were 87,648,064 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, 2024	3,752,416	0.32
Balance, December 31, 2024	3,752,416	0.32
Warrant issuance	5,836,250	0.26
Warrant repurchase ¹	(3,413,979)	-
Forfeited/expired	(338,437)	3.50
Balance, December 31, 2025	5,836,250	0.26

⁽¹⁾ In 2022, the Company received a prepayment of \$6.4 million from Imperial Oil Limited ("IOL") for warrants issued at an exercise price of \$1.86 per warrant; the warrants could be exercised at no further cost to IOL. In 2025, these warrants were repurchased from IOL and cancelled by the Company.

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.

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 \$4.2 million, payable over the first three quarters of 2025. This agreement created a financial liability for the repurchase of the warrants and was recorded in accordance with IFRS 9.

As of December 31, 2025, the Company has paid \$4.2 million to IOL, and all 3.4 million warrants were cancelled.

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, 2025:

As at December 31,	2026	2027	2028	2029	2030	Thereafter	Total
Office leases ¹	302	305	234	129	-	-	970
Mineral license fees	1,805	1,805	6,961	1,805	1,805	12,635	26,816
Freehold license fees	100	100	100	100	100	500	1,000
Power distribution fees	35	57	108	108	108	350	766
Capital commitments	543	-	-	-	-	-	543
Total	2,785	2,267	7,403	2,142	2,013	13,485	30,095

⁽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 the Province of Alberta 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.

Subsequent to year end, the Company received approval from the Government of Alberta for a one-year deferral of its annual mineral license rental payment to 2027, with interest accruing on the deferred amount.

MATERIAL ACCOUNTING ESTIMATES

The Company's material accounting estimates are based on notes 3 and 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

Cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, are initially recognized at fair value and subsequently measured at amortized cost. The carrying value of the Company's financial instruments approximate their fair value due to the relatively short periods to maturity of the instruments.

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 cash and cash equivalents.

Accounts receivable outstanding as at December 31, 2025, relate to government grants (note 15) 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, 2025, the Company had positive working capital of \$13.8 million (2024 - \$18.1 million) and does not anticipate a shortfall in capital within the next twelve months. In October 2025, the Company closed the October Offering for gross proceeds of \$13.4 million, including a partial over-allotment exercise for proceeds of \$1.3 million. Share issuance costs in relation to the October Offering were \$0.9 million comprised of cash commissions and closing costs. Under the October Offering, the Company issued 11.2 million common shares and 5.8 million warrants. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$1.50 until the expiry date of October 14, 2028.

RISK FACTORS

Liquidity and Capital Resources

The Company's development and exploration activities may depend upon the Company's ability to obtain financing through equity financing, debt financing, joint ventures or other means. Historically, capital requirements have been primarily funded through the sale of securities of the Company. Factors that could affect the availability of financing include the progress and results of ongoing exploration at the Company's mineral properties, the state of international debt and equity markets, perceptions of investors and potential joint venture partners and

expectations of the global market for lithium and its derivatives. There can be no assurance that such financing will be available in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company. Based on the amount of funding raised, the Company's planned exploration or other work programs may be postponed, or otherwise revised, as necessary.

Development of the Clearwater Lithium Project

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

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

Negative Operating Cash Flows

Given that the Company has yet to enter commercial production and generate cash flow, the Company had negative operating cash flow for its financial year ended December 31, 2025. 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 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.

SUMMARY OF QUARTERLY INFORMATION

	Q4 2025	Q3 2025	Q2 2025	Q1 2025
Net income/(loss)	1,296	(2,364)	(2,233)	(2,896)
Net gain/(loss) per share	0.02	(0.03)	(0.03)	(0.04)
Total assets	63,347	44,618	45,754	48,672
Total liabilities	7,772	3,316	2,651	3,984
Common shares outstanding	86,855,834	75,673,834	75,459,397	75,307,374
	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

SELECTED ANNUAL INFORMATION

	2025	2024	2023
Net loss	(6,197)	(9,700)	(9,044)
Loss per share	(0.08)	(0.13)	(0.13)
Total assets	63,347	54,968	61,987
Total liabilities	7,772	4,240	4,835
Capital expenditures	15,117	10,023	15,622

FORWARD-LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain information included in this MD&A may constitute forward-looking statements. Generally, forward-looking statements can be identified by the use of forward-looking language such as “plans”, “expects”, “budgets”, “schedules”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, “proposed”, “potential” or variations of such words and phrases, and statements that certain actions, events or results “may”, “could”, “would”, “might”, “will be taken”, “will occur” or “will be achieved”. Statements concerning “mineral resource” or “mineral reserve” estimates (within the meaning of NI 43-101) may also be deemed to be forward-looking information to the extent that they involve estimates of mineralization. Forward-looking statements are based on the opinions and estimates of E3 Lithium as of the date such statements are made. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of E3 Lithium to be materially different from those expressed or implied by such forward-looking statements, including, but not limited to, risks related to: the Company’s ability to effectively implement its planned exploration programs; unexpected events and delays in the course of its exploration and drilling programs; the ability of the Company to raise capital through equity financing, debt financing, joint ventures or other means in order to meet its milestones, conduct its planned exploration programs and to continue exploration and development on its properties; the failure to discover any significant amounts of lithium or other minerals on any of the Company’s properties; the fact that the Company’s properties are in the exploration stage and exploration and development of mineral properties involves a high degree of risk and few properties which are explored are ultimately developed into producing mineral properties; the fact that the mineral industry is highly competitive and E3 Lithium will be competing against competitors that may be larger and better capitalized, have access to more efficient technology, and have access to reserves of minerals that are cheaper to extract and process; the fluctuations in the price of minerals and the future prices of minerals; the fact that if the price of minerals decreases significantly, any minerals discovered on any of the Company’s properties may become uneconomical to extract; the continued demand for minerals and lithium; that fact that resource figures for minerals are estimates only and no assurances can be given that any estimated levels of minerals will actually be produced; governmental regulation of mining activities and oil and gas in Alberta and elsewhere, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection; environmental regulation, which mandate, among other things, the maintenance of air and water quality standards and land reclamation, limitations on the general, transportation, storage and disposal of solid and hazardous waste; environmental hazards which may exist on the properties which are unknown to E3 Lithium at present and which have been caused by previous or existing owners or operators of the properties; reclamation costs which are uncertain; the fact that commercial quantities of minerals may not be discovered on current properties or other future properties and even if commercial quantities of minerals are discovered, that such properties can be brought to a stage where such mineral resources can profitably be produced therefrom; the failure of plant or equipment processes to operate as anticipated; the inability to obtain the necessary approvals for the further exploration and development of all or any of the Company’s properties; risks inherent in the mineral exploration and development business; the uncertainty of the requirements demanded by environmental agencies; the Company’s ability to hire and retain qualified employees and consultants necessary for the exploration and development of any of E3 Lithium’s properties and for the operation of its business; and other risks related to mining activities that are beyond the Company’s control as well as the risks discussed in the annual information form of the Company (“AIF”) under the heading “Risk Factors”. The risks discussed in this MD&A and in the AIF are not exhaustive of the factors that may affect any of the forward-looking statements.

Forward-looking statements contained herein are made as of the date of this MD&A, and the Company disclaims any obligation to update any forward-looking statements, except as required by law, whether as a result of new information, future events or results, or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

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