



Management's Discussion and Analysis

As at and for the three and nine months ended September 30, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") has been prepared by management as of September 30, 2025, and provides a summary of the activities, results of operations, and financial condition of E3 Lithium Ltd. ("E3 Lithium" or the "Company") as at and for the three and nine months ended September 30, 2025, and should be read in conjunction with the unaudited condensed consolidated financial statements as at and for the three and nine months ended September 30, 2025, and the MD&A and audited consolidated financial statements for the year ended December 31, 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. This 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 current focus on commercial development of lithium extraction from brines contained in its mineral properties in Alberta, Canada. E3 Lithium's shares are listed on the TSX Venture Exchange under the symbol ETL, the OTCQX Exchange under the symbol EEMMF and on the Frankfurt Stock Exchange under the symbol OW3.

E3 LITHIUM'S UNIQUE VALUE PROPOSITION

E3 Lithium's primary focus is on its Clearwater Project located in central Alberta. The project location offers several key advantages: significant resources, 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

The long-term outlook for lithium as estimated by Benchmark Mineral Intelligence continues to be robust with demand forecast to increase by 89% from 1.3Mt in 2025 to 2.46 Mt in 2030. For 2025, annual demand is expected to increase 19% over 2024, primarily driven by continued growth in electric vehicle (EV) sales. Global lithium supply is expected to slightly exceed demand in 2025 which should keep prices in or around current levels in the near term. Looking ahead to 2026 and beyond, the lithium market is forecast to remain in a supply surplus throughout the remainder of the decade with a significant supply gap anticipated for 2030 and beyond with much of the supply gap expected to be filled with future production from brine production. Macroeconomic challenges and the potential impact of tariffs may limit demand growth in the near term; however, a prolonged low-price environment may partially resolve current the current imbalance through increasing demand, deferral of new supply sources, and closure or reduction of supply from existing operations¹.

Long term lithium demand is overwhelmingly driven by projected growth in the battery sector, which is set to expand its share of total demand from 88.1% in 2025 to 92.3% by 2030 highlighting how electrification is reshaping the market. EV's with continue to be the primary driver of growth. EV sales are forecast to rise from 21.9 million units in 2025 to more than 41 million by 2030 lifting the global penetration rate from 23% to over 36%. Throughout 2025, EV sales have increased 25% over the previous year with global sales of 2.1 million EV's in September being an all-time monthly high. While policy uncertainty in the United States and softer economic activity in Europe may cause short-term fluctuations, the structural trend towards vehicle electrification continues. In addition, ongoing support for battery energy storage systems, which are linked to the renewable energy generation space,

¹ Benchmark Minerals Intelligence Lithium Market Overview Q3 2025; Benchmark Minerals Intelligence Lithium Forecast Report Q3 2025

continue to provide additional demand for batteries and the critical minerals required for manufacturing including lithium.

Lithium Iron Phosphate (LFP) cathodes are projected to maintain their dominant position in the global cathode materials market. Driven by the prevalence of LFP and mid-nickel content, nickel cobalt manganese (NCM) and newer cathode chemistries such as lithium manganese-rich (LMR) batteries in the EV sector, there is currently a greater demand for lithium carbonate, compared to lithium hydroxide. Longer term projections having lithium carbonate consumption accounting for over 70% of overall chemical demand. In February 2025, E3 Lithium announced that Phase 1 of the Clearwater Project would focus on lithium carbonate production.

There is a growing support among Western countries, including Canada, the United States, and major European nations, to increase the volume of production and processing of critical minerals, which may also impact surplus volumes. As highlighted within the release of the G7 Critical Minerals Action Plan following the G7 Canada Summit held in June 2025 in Kananaskis, Alberta, policies from the G7 will continue to play a major factor in governing the growth of both global and domestic critical mineral supply chains. While it is difficult to predict how policy will impact future trade there is growing support for domestically produced battery-quality lithium products. Additionally, there is a growing recognition that certain non-market policies and practices in the critical minerals sector threaten national security and limit the ability to acquire critical minerals and policy enhancements are required to promote domestic investment and critical mineral development.

Q3 2025 HIGHLIGHTS

Demonstration Facility Phase 1 Successfully Produces 99.7% Pure Battery-Grade Lithium Carbonate

The objective of Phase 1 of the Demonstration Facility is to fully operationalize the 30-column DLE system (the “DLE System”) and polishing and purification equipment (the “Purification Units”) to produce a high-quality lithium chloride, which will support the production of battery-grade lithium carbonate.

- On September 2, 2025, following the completion of final testing and operational reviews, E3 Lithium announced that commissioning of Phase 1 of the Demonstration Facility was underway and on schedule. The first stage of commissioning involved the introduction of brine into the DLE system after which, the Purification Units will be initialized and lithium chloride produced from the DLE System will flow through this system, completing the commissioning stages of Phase 1. Once both the DLE System and Purification Units have completed their respective commissioning stages, the Demonstration Facility shifted to full operations.
- On September 22, 2025, E3 Lithium announced lithium chloride produced from the Demonstration Equipment was successfully converted to lithium carbonate with an average purity of 99.70%. The successful production of battery grade lithium carbonate from the Phase 1 commissioning confirms E3 Lithium’s Demonstration Equipment is fully functional and the field site for Phase 1 is fully operational along the entire process flow, from direct lithium extraction (“DLE”) through to the polishing and purification stages.

Non-Core Asset Sale Proceeds Enhances Balance Sheet and Supports Clearwater Project Development

- On September 30, 2025, E3 Lithium entered into an Asset Purchase and Sale Agreement with an arm’s length private company, to sell the Company’s non-core, Saskatchewan based, Estevan Lithium District assets for a total cash consideration of US\$4.296 million (C\$6.0 million at current USD/CAD exchange rates). the Company is prioritizing the commercial development of its Clearwater Project.

KEY EVENTS SUBSEQUENT TO Q3 2025

Public Market Financing Provides Additional Capital Fund Advancement of the Clearwater Project

- On October 7, 2025, E3 Lithium announced a "best efforts" public offering of units of E3 Lithium ("Units"), led by TD Securities Inc., as co-lead agent and sole bookrunner, and Roth Canada Inc. as co-lead agent, together with a syndicate of agents including ATB Securities Inc. and Stifel Nicolaus Canada Inc. (the "Agents"), at a price of C\$1.20 per Unit for gross proceeds to the Company of up to C\$10,000,000. Each Unit will be comprised of one common share of the Company and one-half of one Common Share purchase warrant (each whole such warrant, a "Warrant"). Each Warrant will entitle the holder thereof to acquire one Common Share at a price of C\$1.50 per Common Share for a period of 36 months from the date of issuance of such Warrant.
- On October 14, 2025, E3 Lithium closed an upsized public offering of 10,150,000 Units comprised of 10,150,000 Common Shares and 5,075,000 Warrants), for gross proceeds of C\$12,180,000.
- On October 31, 2025, E3 Lithium announced that the Agents had exercised in part their previously disclosed over-allotment option, resulting in the issuance of an additional 1,000,000 common shares (the "Additional Shares") at an issue price of \$1.07 per Additional Share and 761,250 warrants (the "Additional Warrants") at an issue price of \$0.26 per Additional Warrant for additional aggregate gross proceeds of \$1,267,925. The Company has made an application to the TSX Venture Exchange for the listing of the 761,250 Additional Warrants as well as the 5,075,000 Warrants. The Warrants and Additional Warrants commenced trading on the TSXV on November 5, 2025, under the symbol ETL.WT.

E3 Lithium and Axens Sign 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"). Key milestones under the MOU include: E3 Lithium to produce battery-grade lithium at its Demonstration Facility for review through Axens qualification process; and, E3 Lithium to validate Axens' Sorbent through standard testing and qualification for use within E3 Lithium's DLE processes. 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 Site Construction and Drilling Underway

- On October 21, 2025, E3 Lithium commenced site construction on its Phase 2 of its Demonstration Facility site. Construction work will include road access improvements, pad construction, and environmental and safety preparations in advance of mobilizing the drilling rig to site.
- On October 29, 2025, E3 Lithium commenced drilling of its lithium development well as part of Phase 2 of its Demonstration Facility development in central Alberta. This is E3 Lithium's third lithium well drilled into the Leduc Formation. Objectives of this next drilling phase include validating subsurface geology through detailed analysis of core samples and integrate petrophysical properties derived from comprehensive well-logging datasets, collecting reservoir data to inform commercial wellfield and facility design, providing brine for continued operation of its DLE and processing equipment previously commissioned in Phase 1 of the Demonstration Facility, and support engineering and permitting work for E3 Lithium's upcoming commercial facility.

SUMMARY OF OPERATIONS

Business Development and Marketing

	Three months ended September 30			Nine months ended September 30		
	2025	2024	% Change	2025	2024	% Change
Business development and marketing	309	364	(15%)	895	1,591	(44%)

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 and nine months ended September 30, 2025, business development and marketing expenses were \$0.3 million and \$0.9 million compared to \$0.4 million and \$1.6 million in the same period of prior year due to the timing of marketing related expenditures.

General and Administrative

	Three months ended September 30			Nine months ended September 30		
	2025	2024	% Change	2025	2024	% Change
General and administrative	1,576	1,722	(8%)	4,538	4,196	8%

General and administrative expenses were \$1.6 million and \$4.5 million for the three and nine months ended September 30, 2025, compared to \$1.7 million and \$4.2 million for the same periods in the prior year. General and administrative costs were lower in the three months ended September 30, due to a decrease in legal fees and general travel offset by increases in salary and consulting expenses. The increase in general and administrative expenses year to date, was driven by higher personnel costs overall and an increase in consulting fees, as the Company enhances its workforce in preparation for the Demonstration Facility and Feasibility Study.

Share-Based Compensation

	Three months ended September 30			Nine months ended September 30		
	2025	2024	% Change	2025	2024	% Change
Share-based compensation	420	728	(42%)	1,979	2,411	(18%)

Share-based compensation refers to compensation expenses resulting from the issuance and vesting of equity-based awards. In the third quarter of 2025, share-based compensation declined by 42% and 18%, respectively, for the three and nine months ended September 30, 2025, compared to the same period in 2024, primarily due to the timing of equity award vesting.

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	1,326,000	0.82
Exercised	(203,437)	0.81
Forfeited/expired	(1,381,560)	1.54
Balance, September 30, 2025	6,502,753	1.52

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.

Restricted Share Units ("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	628,000	0.81
Released	(201,000)	1.54
Forfeited	(32,000)	0.81
Balance, September 30, 2025	817,000	1.01

Performance Share Units ("PSUs")

	Performance Share Units	Weighted Average Fair Value per Award (\$)
Balance, December 31, 2024	-	-
Granted	779,600	0.82
Forfeited	(72,000)	0.81
Balance, September 30, 2025	707,600	0.82

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, 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.

More information about incentive securities can be found in note 11.

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 September 30			Nine months ended September 30		
	2025	2024	% Change	2025	2024	% Change
Accretion	3	3	-	9	10	(10%)
Interest on leases	16	11	45%	50	33	52%
	19	14	36%	59	43	37%

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 September 30			Nine months ended September 30		
	2025	2024	% Change	2025	2024	% Change
Depreciation	83	52	60%	280	153	83%

Depreciation in 2025 increased due to office additions from the Company's corporate head office expansion from the prior year.

Other Income

	Three months ended September 30			Nine months ended September 30		
	2025	2024	% Change	2025	2024	% Change
Interest income	43	278	(85%)	258	989	(74%)

Interest income decreased 85% and 74% for the three and nine months ended September 30, 2025, respectively, compared to the third quarter of 2024. Interest income is earned on the Company's cash balances held in interest-bearing accounts. The decrease is due attributable to a lower average cash balance compared to the same period in the prior year, as well as a reduction in prime rates.

Net Loss

The Company incurred a net loss of \$2.3 million and \$0.03 per common share during the three months ended September 30, 2025, compared to a net loss \$2.6 million and \$0.03 per common share in the prior year period.

The Company incurred a net loss of \$7.5 million and \$0.10 per common share during the nine months ended September 30, 2025, compared to a net loss \$7.4 million and \$0.10 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 September 30			Nine months ended September 30		
	2025	2024	% Change	2025	2024	% Change
E&E expenditures	2,164	1,733	25%	5,645	6,026	(6%)
P&E expenditures	8	147	(95%)	22	217	(90%)
Intangible asset expenditures	-	2	(100%)	32	16	100%
Total capital expenditures	2,172	1,882	15%	5,699	6,259	(9%)

E&E expenditures were \$2.2 million and \$5.6 million for the three and nine months ended September 30, 2025, compared to \$1.7 million and \$6.0 million in the comparative prior year period. During the prior year, E&E expenditures primarily related to costs incurred for the Company’s PFS which was completed in July 2024. E&E expenditures in the current year primarily relate to equipment, land, and engineering expenditures in preparation for the Company’s Demonstration Facility, which began commissioning in the current quarter, as well as the 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 limited costs being included in intangible expenditures.

P&E expenditures were minimal for the three and nine months ended September 30, 2025, and 2024. The Company incurred higher P&E expenditures in the prior year due to increased headcount and the corporate head office expansion.

Impairment Analysis

As at September 30, 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 September 30, 2025.

LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended September 30, 2025, the Company:

- used \$4.7 million (2024 – \$4.8 million) in operating activities primarily due to increases in general and administrative expenses offset by interest income;
- used \$7.1 million (2024 – \$8.1 million) in investing activities primarily due to engineering and subcontracting work on the Demonstration Facility as well as the procurement of long-lead equipment;
- used \$3.6 million in financing activities (2024 – received \$5.8 million) primarily as a result of a \$4.2 million payment for the cancellation of 3.4 million warrants with IOL, which is offset by the receipt of government grants in support of the Company's move to commercialization as well as proceeds from stock option exercises.

The Company reported a working capital of \$6.8 million at September 30, 2025 (December 31, 2024 - \$18.1 million). As at September 30, 2025, the Company had net cash on hand of \$3.9 million compared to cash on hand of \$19.3 million at December 31, 2024.

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 September 30, 2025 (December 31, 2024 – nil).

As at September 30, 2025, life-to-date claims under the SRF grant are \$11.5 million (December 31, 2024 - \$9.7 million) and the contingent obligation related to SRF is estimated to be \$16.1 million (December 31, 2024 - \$13.5 million). As at September 30, 2025, there is \$2.5 million in accounts receivable related to SRF grants (December 31, 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 September 30, 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 September 30, 2025, life-to-date claims under the CMIF grant are \$0.1 million, and as at September 30, 2025, there is \$0.05 million in accounts receivable relates to CMIF grants.

Share Capital

The table below summarizes the change in share capital:

Number of Shares	September 30, 2025	December 31, 2024
Balance, beginning of period	75,269,397	75,069,397
Exercise of stock options	203,437	200,000
Release of restricted share units	201,000	-
Balance, end of period	75,673,834	75,269,397

2025

During the nine months ended September 30, 2025, the Company issued 0.2 million common shares through the release of restricted share units with a release price of \$0.78, and 0.2 million common shares from the exercise of stock options with an exercise price of \$0.81. Total proceeds received were \$0.1 million year to date.

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.

Subsequent event

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.

At November 20, 2025, there were 86,823,834 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 repurchase ⁽¹⁾	(3,413,979)	-
Forfeited/expired	(338,437)	3.50
Balance, September 30, 2025	-	-

(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 a 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 September 30, 2025, the Company had 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 September 30, 2025:

As at September 30,	2025	2026	2027	2028	2029	Thereafter	Total
Office leases ⁽¹⁾	75	302	305	235	129	-	1,046
Mineral license fees	1,805	1,805	1,805	6,961	1,805	14,440	28,621
Freehold license fees	-	100	100	100	100	600	1,000
Power distribution fees	-	69	69	157	157	627	1,079
Total	1,880	2,276	2,279	7,453	2,191	15,667	31,746

(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.

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, trade and other receivables, and trade and other payables, are initially recognized at fair value and subsequently measured at amortized cost. The Company's financial derivative instruments are classified as financial assets or liabilities at fair value through profit or loss and are reported at fair value with changes in fair value recorded in net income or loss. 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.

Accounts receivable outstanding as at September 30, 2025, relate to government grants (note 13) and refundable tax credits which have minimal credit risk.

Currency Risk

The Company's exposure to foreign currency risk is not considered to be material as it transacts primarily in the Canadian dollar.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective is to maintain sufficient and readily available cash-on-hand in order to meet its liquidity requirements at any point in time.

As at September 30, 2025, the Company had positive working capital of \$6.8 million (December 31, 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, 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

	Q3 2025	Q2 2025	Q1 2025	Q4 2024
Net loss	(2,364)	(2,233)	(2,896)	(2,295)
Net loss per share	(0.03)	(0.03)	(0.04)	(0.03)
Total assets	44,618	45,754	48,672	54,968
Total liabilities	3,316	2,651	3,984	4,240
Common shares outstanding	75,673,834	75,459,397	75,307,374	75,269,397

	Q3 2024	Q2 2024	Q1 2024	Q4 2023
Net loss	(2,602)	(2,434)	(2,369)	(2,134)
Net loss per share	(0.03)	(0.03)	(0.03)	(0.03)
Total assets	55,308	55,994	59,000	61,987
Total liabilities	2,874	1,686	3,061	4,835
Common shares outstanding	75,269,397	75,269,397	75,269,397	75,069,397

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 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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