



**LITHIUM**

**Consolidated Financial Statements**

**For the Years Ended December 31, 2023 and 2022**

## 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, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## 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 asset in development and not yet ready for use as at December 31, 2023. The intangible asset relates 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 balance sheet date or earlier if events and circumstances dictate. An impairment loss is recognized if the carrying amount of the intangible asset 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 as at December 31, 2023.

### *Audit Response*

We responded to this matter by performing procedures in relation to the recoverable amount of the intangible asset as at December 31, 2023. 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 asset.
- Tested the reasonableness of the inputs used in determining the recoverable amount of the asset 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. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 International Financial Reporting Standards, 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.

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

April 25, 2024

*MNP LLP*

Chartered Professional Accountants

**MNP**

## Consolidated Statements of Financial Position

As at

(CAD\$ thousands)	Notes	December 31, 2023	December 31, 2022
<b>Assets</b>			
Current assets			
Cash and cash equivalents	20	30,018	13,249
Accounts receivable	14	5,458	4,925
Due from related parties	13, 14	-	88
Prepaid expense		534	531
		<b>36,010</b>	<b>18,793</b>
Exploration and evaluation assets	5	20,777	12,273
Property and equipment	6	171	182
Intangible assets	7	4,511	4,327
Right-of-use assets	8	518	526
<b>Total assets</b>		<b>61,987</b>	<b>36,101</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities		3,808	1,812
Current portion of lease obligations	9	156	92
		<b>3,964</b>	<b>1,904</b>
Lease obligations	9	481	492
Decommissioning obligations	10	390	233
<b>Total Liabilities</b>		<b>4,835</b>	<b>2,629</b>
Share capital	11	83,012	52,701
Contributed surplus		15,014	12,601
Contributed capital		1,987	1,987
Accumulated other comprehensive loss		(75)	(75)
Deficit		(42,786)	(33,742)
<b>Total shareholders' equity</b>		<b>57,152</b>	<b>33,472</b>
<b>Total liabilities and shareholders' equity</b>		<b>61,987</b>	<b>36,101</b>
Nature and continuance of operations	1		
Subsequent events	15		
Commitments	18		

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors  
Signed "John Pantazopoulos"  
Chairman

Signed "Mike O'Hara"  
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	2023	2022
<b>Expenses</b>			
Operating expenses		216	156
Business development and marketing		2,682	1,535
General and administrative	19	4,049	2,971
Share-based compensation	12	2,527	1,985
Financing expenses		53	35
Depreciation	6, 8	175	175
Transaction costs	11	-	318
<b>Total expenses</b>		<b>9,702</b>	<b>7,175</b>
<b>Other Income</b>			
Interest income		658	231
<b>Total other income</b>		<b>658</b>	<b>231</b>
<b>Net loss and comprehensive loss</b>		<b>(9,044)</b>	<b>(6,944)</b>
<b>Per common share</b> (dollars)			
Net loss – basic and diluted		(0.13)	(0.12)
<b>Weighted average number of common shares outstanding</b>			
Basic and diluted	11	68,211,456	59,718,910

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
<b>January 1, 2022</b>		57,759,871	44,359	5,528	1,987	(75)	(26,798)	25,001
Net loss and comprehensive loss		-	-	-	-	-	(6,944)	(6,944)
Share issuance	11	128,024	238	-	-	-	-	238
Share issuance costs	11	-	(30)	-	-	-	-	(30)
Exercise of options and warrants	12	5,341,878	8,134	(1,262)	-	-	-	6,872
Prepaid warrants – Imperial	12	-	-	6,350	-	-	-	6,350
Share-based compensation	12	-	-	1,985	-	-	-	1,985
<b>December 31, 2022</b>		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
<b>December 31, 2023</b>		75,069,397	83,012	15,014	1,987	(75)	(42,786)	57,152

See accompanying notes to the consolidated financial statements.



## Consolidated Statements of Cash Flows

For the years ended December 31

(CAD\$ thousands)	Notes	2023	2022
<b>Cash Used in Operating Activities</b>			
Net loss and comprehensive loss		(9,044)	(6,944)
Non-cash items:			
Share-based compensation	12	2,527	1,985
Depreciation	6, 8	175	175
Interest expense on lease obligations	9	47	31
Accretion	10	4	4
Gain on lease		-	(24)
Transaction costs	11	-	238
Change in non-cash working capital	19	433	(951)
Cash flow used in operating activities		(5,858)	(5,486)
<b>Cash Used in Investing Activities</b>			
Acquisition of exploration and evaluation assets	5	-	(100)
Exploration and evaluation asset expenditures	5	(13,067)	(10,089)
Property and equipment expenditures	6	(47)	(185)
Decommissioning liability expenditures	10	(72)	-
Intangible assets expenditures	7	(2,508)	(3,700)
Change in non-cash working capital	19	1,886	1,367
Cash used in investing activities		(13,808)	(12,707)
<b>Cash From Financing Activities</b>			
Proceeds from share issuance, net of issuance costs	11	26,572	(30)
Proceeds from exercise of options and warrants	12	3,625	6,872
Proceeds from prepaid warrants	12	-	6,350
Government grants	5, 7, 15	7,113	4,880
Repayment of lease obligations	9	(103)	(91)
Change in non-cash working capital	19	(772)	(4,380)
Cash from financing activities		36,435	13,601
<b>Change in cash and cash equivalents</b>		<b>16,769</b>	<b>(4,592)</b>
Cash and cash equivalents – beginning of year		13,249	17,841
<b>Cash and cash equivalents – end of year</b>		<b>30,018</b>	<b>13,249</b>
The following are included in cash flows from operating activities:			
Interest received in cash		658	231

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 5<sup>th</sup> Avenue SW, Calgary, AB, T2P 3C4.

As at December 31, 2023, the Company has not generated revenues from operations and has an accumulated deficit of \$42.8 million (2022 – \$33.7 million) including a net loss and comprehensive loss of \$9.0 million (2022 – \$6.9 million) as at and for the year ended December 31, 2023. The Company’s ability to continue as a going concern is dependent upon its ability to raise equity financing to evaluate and confirm the economics of using Direct Lithium Extraction (“DLE”) technology in its upcoming Pre-Feasibility Study and move towards commercial production of battery grade Lithium Hydroxide Monohydrate (“LHM”).

## 2. BASIS OF PRESENTATION

### Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) in effect on January 1, 2023. The policies set out below are consistently applied to all periods presented, unless otherwise noted. These consolidated financial statements were authorized for issue by the Board of Directors on April 25, 2024.

### 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 2023.

- Amendments to IAS 1, *Presentation of Financial Statements – Disclosure of Accounting Policies*, requiring entities to disclose material, instead of significant, accounting policy information. The accounting policies disclosed in these consolidated financial statements were not impacted by the adoption of these amendments.
- Amendments to IAS 8, *Accounting Policies – Changes in Accounting Estimates and Errors*, clarifying the definition of “accounting policies” and “accounting estimates”. The adoption of these amendments did not have a material impact on these consolidated financial statements.

- Amendments to IAS 12, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which narrow the scope for exemption when recognizing deferred taxes. These amendments did not have a material impact on the consolidated financial statements on adoption.

#### 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:

- Amendments to IAS, *Presentation of Financial Statements – Classification of liabilities as current or non-current*, are effective from January 1, 2024.
- Amendments to IAS 7 and IFRS 7, *Supplier finance arrangements*, are effective from January 1, 2024.
- Amendments to IFRS 16, *Leases – lease liability in a sale and leaseback transaction*, are effective from January 1, 2024.

The Company is assessing the impacts, if any, these amendments to existing standards will have on our consolidated financial statement 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:

	Country of Incorporation	Percentage Ownership	
		December 31, 2023	December 31, 2022
1975293 Alberta Ltd.	Canada	100%	100%
Mexigold Resources SA de CV ("Mexigold") <sup>(1)</sup>	Mexico	100%	100%
2216747 Alberta Ltd. ("ABHI") <sup>(2)</sup>	Canada	-	100%
2437798 Alberta Ltd.	Canada	100%	100%

(1) Mexigold is inactive and has no assets.

(2) ABHI was voluntarily dissolved on December 22, 2023.

#### Functional currency

The functional currency of each legal entity is measured using the currency of the primary economic environment in which it operates. The presentation currency for the Company is Canadian dollars.

#### 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.

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### 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, 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, 2023 and 2022.

### **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.

### **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.

Notes to the Consolidated Financial Statements  
December 31, 2023 and 2022

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

### 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

<b>Carrying Value</b>	
Balance, January 1, 2022	4,823
Acquisition	100
Additions	10,089
Change in decommissioning costs (note 10)	229
Government grant (note 15)	(2,968)
Balance, December 31, 2022	12,273
Additions	13,067
Change in decommissioning costs (note 10)	226
Government grant (note 15)	(4,789)
<b>Balance, December 31, 2023</b>	<b>20,777</b>

## 6. PROPERTY AND EQUIPMENT

<b>Cost</b>	<b>Computer Equipment</b>	<b>Furniture and Fixtures</b>	<b>Software Licenses</b>	<b>Leasehold Improvement</b>	<b>Total</b>
Balance, January 1, 2022	68	32	36	3	139
Additions	69	82	5	29	185
Balance, December 31, 2022	137	114	41	32	324
Additions	22	3	11	11	47
<b>Balance, December 31, 2023</b>	<b>159</b>	<b>117</b>	<b>52</b>	<b>43</b>	<b>371</b>
<b>Accumulated Depreciation</b>					
Balance, January 1, 2022	(34)	(6)	(36)	(3)	(79)
Depreciation	(42)	(18)	(2)	(1)	(63)
Balance, December 31, 2022	(76)	(24)	(38)	(4)	(142)
Depreciation	(33)	(18)	(7)	-	(58)
<b>Balance, December 31, 2023</b>	<b>(109)</b>	<b>(42)</b>	<b>(45)</b>	<b>(4)</b>	<b>(200)</b>
<b>Carrying Value</b>					
Balance, December 31, 2022	61	90	3	28	182
<b>Balance, December 31, 2023</b>	<b>50</b>	<b>75</b>	<b>7</b>	<b>39</b>	<b>171</b>

Notes to the Consolidated Financial Statements  
December 31, 2023 and 2022

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

## 7. INTANGIBLE ASSETS

<b>Carrying Value</b>	
Balance, January 1, 2022	2,539
Additions	3,700
Government grant (note 15)	(1,912)
Balance, December 31, 2022	4,327
Additions	2,508
Government grant (note 15)	(2,324)
<b>Balance, December 31, 2023</b>	<b>4,511</b>

The Company's intangible assets relate to its DLE technology.

## 8. RIGHT-OF-USE ASSETS

<b>Cost</b>	
Balance, January 1, 2022	326
Additions	561
Disposals	(89)
Changes in estimates	(239)
Balance, December 31, 2022	559
Additions	109
<b>Balance, December 31, 2023</b>	<b>668</b>

  

<b>Accumulated Depreciation</b>	
Balance, January 1, 2022	(86)
Depreciation	(112)
Disposals	34
Changes in estimates	131
Balance, December 31, 2022	(33)
Depreciation	(117)
<b>Balance, December 31, 2023</b>	<b>(150)</b>

  

<b>Carrying Value</b>	
Balance, December 31, 2022	526
<b>Balance, December 31, 2023</b>	<b>518</b>

Notes to the Consolidated Financial Statements  
December 31, 2023 and 2022

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

## 9. LEASE OBLIGATIONS

<b>Carrying Value</b>	
Balance, January 1, 2022	266
Additions	561
Disposals	(61)
Interest	31
Repayments	(91)
Changes in estimates	(122)
Balance, December 31, 2022	584
Additions	<b>109</b>
Interest	<b>47</b>
Repayments	<b>(103)</b>
<b>Balance, December 31, 2023</b>	<b>637</b>

  

<b>Carrying Value</b>	
Future minimum lease payments	751
Discount	(114)
<b>Balance, December 31, 2023</b>	<b>637</b>
Current portion of lease obligations	156
Lease obligations	481
<b>Balance, December 31, 2023</b>	<b>637</b>

The Company's leases at December 31, 2023, 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.

## 10. DECOMMISSIONING OBLIGATIONS

<b>Carrying value</b>	
Balance, January 1, 2022	-
Additions	152
Additions – acquisition	77
Accretion	4
Balance, December 31, 2022	233
Additions	<b>199</b>
Additions – rate change	<b>28</b>
Additions – estimate change	<b>(2)</b>
Accretion	<b>4</b>
Expenditures	<b>(72)</b>
<b>Balance, December 31, 2023</b>	<b>390</b>
Expected to be incurred within one year	-
Expected to be incurred beyond one year	<b>390</b>

Decommissioning obligations as at December 31, 2023, were determined using a risk-free rate of 3.23% (December 31, 2022 – 3.23%) and inflation rate of 3.00% (December 31, 2022 – 2.00%). 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, 2023	December 31, 2022
Balance, beginning of year	63,229,773	57,759,871
Share issuance	8,985,483	-
Exercise of stock options and warrants	2,854,141	5,241,878
Stock options exercised in prior year <sup>(1)</sup>	-	100,000
Shares issued – Finder's fee	-	128,024
<b>Balance, end of year</b>	<b>75,069,397</b>	<b>63,229,773</b>

(1) The stock options were exercised in December 2021 but shares not issued until January 2022.

### 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.

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.

### 2022

During the year ended December 31, 2022, the Company issued 5.3 million common shares from the exercise of stock options and warrants with exercise prices between \$0.40 to \$1.65. Total proceeds received were \$6.8 million year to date.

#### *Strategic Agreement with Imperial Oil Limited (“IOL” or “Imperial”)*

In 2022, the Company announced a collaboration with IOL to advance its lithium-extraction pilot in Alberta. Under the agreement, the Company would continue to operate the Clearwater project and retain its intellectual property, with technical and developmental support from IOL in areas such as water and reservoir management. The agreement also includes access for E3 Lithium to freehold lands in the area, which are operated by IOL.

As part of the agreement, IOL agreed to invest \$6.35 million into E3 Lithium through the purchase of 3.4 million warrants at a pre-paid price of \$1.86 per warrant. Each warrant provides IOL the option to exercise the warrant for one common share of E3 Lithium at no further cost to IOL. The warrants are immediately exercisable, non-transferrable, and are non-refundable with expiry on July 8, 2024.

Notes to the Consolidated Financial Statements  
December 31, 2023 and 2022

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

The Company paid a one-time 5% finder's fee, being equal to \$0.3 million based on the amount of IOL's investment. The finder elected to take 25% of the fee in cash and 75% of the fee in common shares of E3 Lithium. The Company issued the finder 128,024 shares on closing at \$1.86 per share. The Company received TSX Venture Exchange approval to issue the prepaid warrants and the 128,024 common shares on July 8, 2022.

## 12. SHARE-BASED COMPENSATION

### Warrants

The following table summarizes the change in warrants:

	Warrant (units)	Weighted Average Exercise Price (\$)
Balance, January 1, 2022	7,018,165	1.43
Broker warrants	484,722	1.65
Imperial warrants <sup>(1)</sup>	3,413,979	-
Exercised	(5,173,978)	1.30
Forfeited/expired	(92,243)	1.40
Balance, December 31, 2022	5,650,645	0.65
Broker warrants	<b>465,669</b>	<b>3.16</b>
Exercised	<b>(1,331,641)</b>	<b>1.71</b>
Forfeited/expired	<b>(1,032,257)</b>	<b>1.65</b>
<b>Balance, December 31, 2023</b>	<b>3,752,416</b>	<b>0.32</b>

Warrants outstanding and exercisable as at December 31, 2023:

Grant date	Exercise price (\$)	Expiry Date	Remaining Life (years)	Warrants Outstanding and Exercisable
July 8, 2022 <sup>(1)</sup>	-	July 8, 2024	0.5	3,413,979
June 8, 2023	2.25	June 8, 2025	1.4	14,137
September 26, 2023	3.55	September 26, 2025	1.7	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.

### Stock Options

The shareholders of the Company have 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 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 10% of the issued and outstanding common shares of the Company at the date of granting of options. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price, and the vesting conditions of the options.

Notes to the Consolidated Financial Statements  
December 31, 2023 and 2022

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

The following table summarizes the change in stock options:

	<b>Stock Options</b>	<b>Weighted Average Exercise Price (\$)</b>
Balance, January 1, 2022	2,876,750	1.42
Granted	2,750,000	2.57
Exercised	(67,900)	0.91
Forfeited/expired	(533,083)	2.17
Balance, December 31, 2022	5,025,767	1.98
Granted	<b>2,045,000</b>	<b>2.51</b>
Exercised	<b>(1,522,500)</b>	<b>0.89</b>
Forfeited/expired	<b>(732,017)</b>	<b>2.28</b>
<b>Balance, December 31, 2023</b>	<b>4,816,250</b>	<b>2.50</b>

The weighted average life of options outstanding at December 31, 2023, is 3.36 years (2022 – 2.84).

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

	<b>2023</b>	<b>2022</b>
Risk-free interest rate	3.15% to 4.40%	1.46% to 3.52%
Expected stock price volatility	86% to 92%	90% to 96%
Expected life	One to five years	One to five years
Expected dividend yield	-	-
Fair value per option granted	\$1.51 to \$3.07	\$1.74 to \$1.96
Forfeiture rate	3.95%	2.82%

During the year ended December 31, 2023, the Company incurred \$2.5 million (2022 - \$2.0 million) in share-based compensation expense in relation to the stock option plan.

Stock options outstanding and exercisable as at December 31, 2023:

<b>Exercise price</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining Life (years)</b>	<b>Outstanding</b>
\$1.01 - \$2.00	\$1.59	1.62	570,000
\$2.01 - \$3.00	\$2.50	3.84	3,861,250
\$3.01 - \$4.00	\$3.72	0.14	300,000
\$4.01 - \$5.00	\$4.40	4.69	85,000
<b>Outstanding, end of year</b>	<b>\$2.50</b>	<b>3.36</b>	<b>4,816,250</b>
<b>Exercisable, end of year</b>	<b>\$2.52</b>	<b>1.76</b>	<b>1,217,500</b>

### 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, 2023 and 2022, the remuneration for key management personnel was as follows:

<b>For the year ended December 31,</b>	<b>2023</b>	<b>2022</b>
Salaries and benefits	<b>1,023</b>	849
Share-based compensation	<b>938</b>	651
<b>Total</b>	<b>1,961</b>	1,500

At December 31, 2023, the Company had no balances owing from related parties (2022 - \$0.1 million) as withholding taxes remitted on behalf of directors arising from stock option exercises during the year were repaid in full.

### 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, 2023. 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, 2023, 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, 2023, the Company has positive working capital of \$32.0 million (December 31, 2022 - \$17.0 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, 2023, life-to-date claims under AI is \$1.8 million (December 31, 2022 - \$1.1 million) and the Company has received \$1.4 million (December 31, 2022 - \$1.1 million). Subsequent to year end, the Company received its final milestone payment of \$0.4 million.

### *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, 2023 (December 31, 2022 – nil).

As at December 31, 2023, life-to-date claims under the SIF grant is \$7.2 million (December 31, 2022 – \$4.4 million) and the contingent obligation related to SIF is estimated to be \$10.1 million (December 31, 2022 – \$6.4 million). As at December 31, 2023, there is \$1.9 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 shall submit and be reimbursed for eligible expenses on an ongoing basis throughout the term of the agreement.

As at December 31, 2023, life-to-date claims under the NRCan CMRDD grant are \$3.2 million. As at December 31, 2023, \$2.9 million is included in accounts receivable on the consolidated statement of financial position.

## 16. CAPITAL MANAGEMENT

The Company’s objective when managing capital is to maintain a strong balance sheet and sufficient liquidity to meet its short and long-term business objectives. The Company’s capital structure is comprised of shareholders’ equity of \$57.2 million (2022 - \$33.5 million) and working capital (defined as current assets less current liabilities) of \$32.0 million (2022 - \$17.0 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.

Notes to the Consolidated Financial Statements  
December 31, 2023 and 2022

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

## 17. INCOME TAXES

For the year ended December 31,	2023	2022
Loss before income taxes	(9,044)	(6,944)
Combined statutory tax rate	23.0%	23.0%
Computed tax recovery	(2,080)	(1,597)
Effects resulting from:		
Share-based compensation	581	457
Other	(684)	55
Change in unrecognized deferred tax assets	2,183	1,085
<b>Total</b>	-	-

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,	2023	2022
Exploration and evaluation assets	-	-
Investment tax credits	3,147	3,147
Lease obligation	638	584
Share issuance costs	3,271	1,642
SR&ED	380	380
Non-capital loss carry-forward	22,227	14,578
Other	390	231
<b>Total</b>	30,053	20,562

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

As at December 31,	2023	2022
Exploration and evaluation assets	(6,202)	(5,175)
Non-capital loss carry-forward	6,202	5,175
<b>Total</b>	-	-

At December 31, 2023, the Company has non-capital losses of \$29.4 million that will expire between 2023 and 2043.

## 18. COMMITMENTS

The following is a summary of the Company's estimated commitments as at December 31, 2023:

As at December 31,	2024	2025	2026	2027	2028	Thereafter	Total
Office leases <sup>(1)</sup>	254	248	248	248	81	-	1,079
Mineral license fees	1,804	1,804	1,804	1,804	6,959	16,236	30,411
<b>Total</b>	2,058	2,052	2,052	2,052	7,040	16,236	31,490

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

(2)

Notes to the Consolidated Financial Statements  
December 31, 2023 and 2022

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

## 19. SUPPLEMENTAL DISCLOSURES

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

For the year ended December 31,	2023	2022
Wages and benefits <sup>(1)</sup>	2,074	1,376
General expenses	1,975	1,595
<b>Total</b>	<b>4,049</b>	<b>2,971</b>

(1) Total wages and benefits were \$4.1 million (2022 - \$3.3 million), of which \$2.1 million (2022 - \$1.9 million) were capitalized to exploration and evaluation and intangible assets.

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

For the year ended December 31,	2023	2022
Accounts receivable	(533)	(4,818)
Due to/from related parties	88	42
Prepaid expenses	(3)	(280)
Accounts payable and accrued liabilities	1,995	1,092
<b>Total change in non-cash working capital</b>	<b>1,547</b>	<b>(3,964)</b>
Operating activities	433	(951)
Investing activities	1,886	1,367
Financing activities	(772)	(4,380)
<b>Total change in non-cash working capital</b>	<b>1,547</b>	<b>(3,964)</b>

## 20. CASH AND CASH EQUIVALENTS

As at December 31,	2023	2022
Bank balances	29,960	13,191
Term deposits	58	58
<b>Cash and cash equivalents in the statement of financial position</b>	<b>30,018</b>	<b>13,249</b>