



NASDAQ: ELBM | TSX.V: ELBM

ELECTRA BATTERY MATERIALS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2025 and 2024

(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

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GENERAL

This Management's Discussion and Analysis ("MD&A") of Electra Battery Materials Corporation ("Electra" or the "Company") was prepared as at March 27, 2026, and provides analysis of the Company's financial results for the three and twelve months ended December 31, 2025 and 2024. The information herein should be read in conjunction with the consolidated financial statements for the years ended December 31, 2025, and 2024 with accompanying notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar figures, excluding share prices, are expressed in thousands of Canadian dollars unless otherwise stated. Financial Statements are available at www.sedarplus.com and the Company's website www.electrabmc.com.

COMPANY INFORMATION

Electra Battery Materials Corporation was incorporated on July 13, 2011, under the Business Corporations Act of British Columbia (the "Act"). On September 4, 2018, the Company filed a Certificate of Continuance into Canada and adopted Articles of Continuance as a Federal Company under the Canada Business Corporations Act (the "CBCA"). On December 6, 2021, the Company changed its corporate name from First Cobalt Corp. to Electra Battery Materials Corporation to better align with its strategic vision.

The Company is in the business of battery materials refining, including refining material from mining operations and from the recycling of battery scrap and end of life batteries, and the acquisition and exploration of resource properties. The Company is focused on building a diversified portfolio of assets that are highly leveraged to the battery supply chain with assets located primarily in North America, with the intent of providing a North American supply of battery materials. The Company has two significant North American assets:

- (i) a hydrometallurgical refinery located in Ontario, Canada (the "Refinery"); and
- (ii) a number of properties and option agreements within the Idaho Cobalt Belt (the "Idaho Properties"), including the Company's flagship mineral project, Iron Creek (the "Iron Creek Project").

Electra is a public company whose common shares (the "common shares") are listed on the TSX Venture Exchange ("TSXV") and on the Nasdaq Capital Market ("Nasdaq") and trades under the symbol ELBM in both cases.

The Company's registered and records office is 40 Temperance Street, Suite 3200, Bay Adelaide Centre – North Tower, Toronto, Ontario, Canada M5H 0B4. The Company's head office is located at 133 Richmond Street W, Suite 602, Toronto, Ontario, M5H 2L3.

HIGHLIGHTS

Twelve months ended December 31, 2025 and through the date of this document (includes some history for context)

Construction and Development of the Cobalt Sulfate Refinery

Electra's primary focus during 2025 was securing financing and advancing construction of the Refinery, which could be the first battery-grade cobalt sulfate refinery in North America.

On June 19, 2025, the Company announced the commencement of an early works program at the Refinery site to support the restart of full-scale construction. The program included advancing key infrastructure in the solvent extraction area and other site preparation activities. On September 3, 2025, the Company announced completion of the early works program, which reduced remobilization timelines and positioned the project for a more efficient restart once full funding was secured.

Following completion of the Company's financing and restructuring initiatives later in the year, Electra announced on November 5, 2025 that construction activities at the Refinery had been reactivated. On November 10, 2025, the Company issued a major tender package for structural, mechanical, piping, electrical and instrumentation work, marking the transition into full construction mobilization.

Subsequent to year-end, on January 8, 2026, the Company provided a Refinery construction update indicating that exterior pipe racks connecting key process buildings had been completed, with civil, structural, concrete and tank installation work underway. Site preparation, parking, power services and support areas were reported as largely complete.

Subsequent to year-end, on February 3, 2026, the Company announced it had awarded a contract valued at approximately US\$6,100 (\$8,300) to EXP Services Inc. to provide engineering, project management and construction management support during the construction phase of the Refinery.

Subsequent to year-end, on February 23, 2026, the Company announced that its Board of Directors (the "Board" or the "Board of Directors") approved a US\$73,000 construction budget and execution schedule to complete the Refinery. Under the approved schedule, commissioning is expected to begin in the fourth quarter of 2026, with mechanical completion targeted for the second quarter of 2027 and commercial production anticipated in the fourth quarter of 2027.

Subsequent to year-end, on March 19, 2026, the Company provided a construction progress update on its Refinery, highlighting completion of early works and transition toward full-scale construction. The update noted that key infrastructure is in place, major equipment has been procured, and construction sequencing has been defined, positioning the project to advance toward mechanical completion and commissioning.

Financing, Balance Sheet Restructuring and Capital Markets Activity

During 2025, the Company undertook several financing and restructuring initiatives to strengthen its balance sheet and secure capital required to complete the refinery.

On March 5, 2025, the Company entered into an agreement with the holders of its senior secured notes to defer interest payments until February 15, 2027, providing additional near-term financial flexibility. In exchange, additional interest of 2.25% per annum on the Convertible Senior Secured Notes due 2028 (the "2028 Notes") and 2.5% per annum on the Convertible Senior Secured Notes due 2027 (the "2027 Notes" and together with the 2028 Notes, the "Notes") was to accrue during the deferral period.

On March 21, 2025, the Company announced it had received a non-binding Letter of Intent from the Government of Canada for proposed funding of \$20,000 to support completion and commissioning of the Refinery. The Letter of Intent expresses an interest by the federal government to work toward a final term sheet but does not constitute a binding agreement, and there can be no assurance that final agreements will be reached or that funding will ultimately be provided.

This proposed support builds upon prior commitments announced in 2024, including a US\$20,000 award from the U.S. Department of War (previously Department of Defense) under Title III of the Defense Production Act, intended to advance completion of the Refinery.

On March 24, 2025, the Company announced a non-brokered private placement to raise up to US\$3,500, consisting of units priced at US\$1.12 per unit, each including one common share and one warrant exercisable at US\$1.40 for 18 months. The offering was fully subscribed and allocated on March 25, 2025, with the first tranche closing on April 4, 2025 and the second and final tranche closing on April 14, 2025.

Later in the year, the Company announced on August 21, 2025, a proposed recapitalization and financing transaction designed to strengthen its capital structure and support completion of the Refinery. The transaction contemplated the conversion of approximately US\$40,000 of convertible debt into equity, reducing outstanding debt under the Notes by approximately 60% to roughly US\$27,000, alongside a US\$30,000 equity financing.

In addition, on September 12, 2025, the Company signed a term sheet with Invest Ontario, an agency of the Government of Ontario, for \$17,500 in proposed funding to further support Refinery construction. Both the LOI and the term sheet express the parties' intent to negotiate definitive documentation, but do not constitute binding

agreements, and there can be no assurance that final agreements will be executed or that the proposed fundings will be received.

On September 12, 2025, the Company also announced the terms of a US\$30,000 brokered private placement financing, consisting of a minimum of 40,000,000 units priced at US\$0.75 per unit, each including one common share and one warrant exercisable at US\$1.25. The financing included a US\$10,000 conditional commitment from lenders.

On October 22, 2025, Electra announced the successful closing of a US\$34,500 equity financing (the "October 2025 Financing"). An aggregate of 46,000,000 units were issued at US\$0.75 per unit (the "October 2025 Units"), each unit comprising one common share and one warrant exercisable at US\$1.25 until October 22, 2028. The Company also issued an aggregate of 2,416,884 non-transferable warrants to purchase common shares to the agents for the October 2025 financing (the "October 2025 Broker Warrants"). Each October 2025 Broker Warrant entitles the holder to acquire one common share at a price of US\$0.75, at any time on or before the date that is 36 months from October 22, 2025.

Concurrent with the closing of its financing on October 22, 2025, Electra completed a comprehensive financial restructuring (the "Restructuring") with the holders of its senior secured convertible notes (the "Lenders"). Under the transaction, the Company exchanged approximately 60% of the outstanding principal and accrued interest of its Notes for October 2025 Units (the "Equity Exchange") and converted the remaining 40% for an equal aggregate principal amount of a new term loan (the "October 2025 Term Loan") pursuant to a credit agreement and 3,822,341 common shares at a deemed price of US\$0.90 per common shares (the "Debt Exchange"). Interest on the October 2025 Term Loan will be payable in cash or in kind at the Company's election at a rate per annum of 8.99% if paid in cash or 11.125% if paid in kind. The October 2025 Term Loan matures on October 22, 2028.

To facilitate a timely and concurrent closing of both the financing and the restructuring, certain Lenders received pre-funded warrants ("Pre-Funded Warrants") in lieu of common shares, resulting in the issuance of approximately 27,128,396 common shares, 55,041,712 common share purchase warrants, and 31,735,657 Pre-Funded Warrants under the Restructuring. In connection with the Restructuring, 3,835,378 common share purchase warrants held by the Lenders were cancelled. The Company also executed Amended & Restated Royalty Agreements with its Lenders, extending the royalty term from five to seven years post-production start and increasing the cumulative royalty cap from US\$6,000 to US\$10,000. Additionally, Electra redeemed US\$2,000 in bridge notes, plus interest, issued earlier in 2025.

Net proceeds, together with government funding commitments announced on March 21, 2025, with the Government of Canada and September 12, 2025, by Invest Ontario, is intended to be used to complete construction of the Refinery, and provide general working capital.

On December 22, 2025, the Company established an At-The-Market (ATM) equity program with H.C. Wainwright & Co. to sell up to US\$5,500 of common shares from time to time at prevailing market prices under a registration statement on Form F-3, as amended (File No. 333-288364), declared effective by the U.S. Securities and Exchange Commission (the "SEC") on December 11, 2025, providing a flexible capital-raising tool.

Subsequent to year-end, on February 20, 2026, the Company upsized the ATM program to US\$25,000, providing additional financial flexibility to fund working capital and expenditures related to refinery commissioning. The aggregate offering amount includes the amount of sales previously made by the Company under the ATM Program pursuant to the Company's prospectus supplement dated December 11, 2025, covering sales having an aggregate offering price of up to US\$5,500. During the three months ended December 31, 2025, the Company did not sell any common shares under the ATM program.

Subsequent to year-end, on March 19, 2026, the Company announced receipt of a Nasdaq Deficiency Notice regarding non-compliance with the Minimum Bid Price Requirement on March 16, 2026.

Feedstock Strategy and Supply Chain Development

During 2025, Electra advanced initiatives to diversify Refinery feedstock sources and strengthen the North American battery materials supply chain.

On July 31, 2025, the Company announced the commencement of metallurgical testing of cobalt feedstock sourced from the historic Cobalt Camp in Ontario and from the Company's Iron Creek Project. The testing program is intended to evaluate processing opportunities for additional North American concentrate sources and inform potential refinery flowsheet modifications.

On October 27, 2025, the Company announced it had launched a program to advance mineral deposit modeling and feedstock integration at its Iron Creek Project to support long-term supply opportunities.

On November 25, 2025, the Company announced it had entered into a supply chain cooperation agreement with Positive Materials Inc., a Canadian precursor cathode active material (pCAM) manufacturer, to evaluate potential commercial and technical collaboration involving battery-grade cobalt sulfate produced at Electra's Refinery.

Subsequent to year-end, on March 10, 2026, the Company announced a strategic supply agreement with LG Energy Solution ("LGES") to supply battery-grade cobalt sulfate from Electra's Refinery. The agreement represents an important step in establishing long-term commercial relationships with global battery manufacturers and supports the development of a secure North American battery materials supply chain. The supply agreement is expected to support LGES's North American battery manufacturing operations once Electra's Refinery reaches commercial production.

Battery Recycling and Black Mass Processing Initiatives

Electra continued to advance its strategy to develop a battery recycling capability integrated with its hydrometallurgical refining complex.

On January 28, 2025, the Company announced the commencement of a feasibility-level engineering study to evaluate construction of a battery recycling refinery adjacent to its Refinery. The study builds on a year-long black mass recycling trial in which Electra successfully produced technical-grade lithium and a nickel and cobalt product from end-of-life lithium-ion batteries.

On June 5, 2025, the Company announced completion of a Class 3 feasibility-level engineering study for a modular battery recycling facility adjacent to its Refinery. The study confirmed the technical design to recover lithium, nickel, cobalt, manganese and graphite from lithium-ion battery scrap and end-of-life batteries using Electra's hydrometallurgical process.

On June 12, 2025, the Company provided an update on the Aki Battery Recycling joint venture with Three Fires Group, Canada's first Indigenous-led lithium-ion battery recycling initiative. The project aims to establish a battery pre-processing facility in Ontario to produce black mass for refining at Electra's Refinery.

Idaho Exploration

On October 27, 2025, Electra launched a new program to advance mineral deposit modeling and feedstock integration at its Iron Creek Project, reinforcing U.S. efforts to onshore critical mineral production and strengthen domestic supply chains. The initiative builds on exploration permits secured from the U.S. Forest Service in late 2024, which provide 10-year authorization for drilling and exploration activities across the Iron Creek and Ruby deposits and adjacent optioned properties in the Idaho Cobalt Belt.

In partnership with the Centre to Advance the Science of Exploration to Reclamation in Mining at the Colorado School of Mines, Electra is conducting geological research at Iron Creek using short-wave infrared hyperspectral imaging to refine its geological model and guide a potential 2026 drilling program. Bulk sampling from Adit #1 will

support metallurgical testing to validate processing parameters and evaluate future feedstock compatibility with the Refinery.

The new program follows a bench-scale laboratory program announced on July 31, 2025, to evaluate cobalt feedstocks from several North American deposits and assess potential flowsheet modifications to process polymetallic sulfide concentrates at its Refinery. This work is intended to complement existing supply arrangements with Glencore and Eurasian Resources Group and supports the goal of integrating future domestic mine feed, including potential production from Idaho, into the Company's refining operations.

Board and Management Changes

On February 25, 2025, Electra announced the appointment of Alden Greenhouse to its Board of Directors. Mr. Greenhouse is currently the Vice-President, Critical & Strategic Minerals for Agnico Eagle Mines Limited and brings extensive capital markets and corporate governance experience. His background strengthens the Board's financial oversight and strategic advisory capabilities as Electra advances its refinery and recycling initiatives.

On August 25, 2025, David Stetson joined the Board in connection with the Company's Restructuring. Mr. Stetson has significant experience in credit markets and corporate finance, with a focus on capital solutions. His expertise provides valuable perspective on balance sheet management and financing strategies as the Company executes its development plans.

On October 22, 2025, Rear Admiral (Ret.) Gerard Hueber and Jody Thomas were appointed to the Board of Directors. Mr. Hueber bringing decades of leadership experience from the United States Navy, where he served in senior operational and intelligence roles. As a former Raytheon executive, his background in defense, security, and global strategic risk provides valuable insight as critical minerals and battery supply chains increasingly intersect national security priorities. Jody Thomas, former National Security and Intelligence Advisor to the Prime Minister of Canada and Deputy Minister of National Defence also adds significant expertise in national security policy, international affairs, and critical infrastructure.

On October 29, 2025, the Company appointed Paolo Toscano as Vice President, Projects and Engineering to lead and oversee construction of the Refinery. With more than three decades of experience leading large-scale mining and metals projects across North America, Mr. Toscano is an accomplished professional engineer, metallurgist, and mining executive with a record of technical excellence, operational discipline, and strategic leadership.

Also on October 29, 2025, in accordance with Electra's Long-Term Incentive Plan, Electra granted 2,669,000 stock options, 179,000 restricted share units (RSUs), and 271,000 deferred share units (DSUs) to directors, officers, employees, and contractors. These long-term incentive awards are intended to retain and motivate key personnel and align their interests with those of shareholders. The RSUs vest in two equal tranches over two years and may be settled in cash or shares at the Company's discretion. The DSUs will be settled in shares when the holder ceases to serve as a director. The options are exercisable for three years at \$1.97 per share and vest in two equal tranches on the first and second anniversaries of the grant date.

Subsequent to year-end, on February 4, 2026, the Company announced that Chief Financial Officer Marty Rendall was scheduled to depart at the end of February 2026 to pursue another executive opportunity. David Allen, who previously served as Electra's Chief Financial Officer for 2024, returned as Interim CFO effective February 28, 2026, while the Company conducts a search for a permanent successor.

PROJECTS & OUTLOOK

The Company's vision is to build a North American supply of battery materials with a focus on refining material from mining operations and from the recycling of battery scrap and end of life batteries. The Company's primary asset is the wholly owned Refinery located in Ontario, Canada. The Company also owns the Idaho Properties within the Idaho Cobalt Belt in the United States. The Idaho Properties include the Iron Creek Project and other minerals projects. The Company also holds royalty interests over several silver and cobalt properties in Ontario known as the Cobalt Camp.

The Refinery

The Company has been progressing plans to recommission and expand the Refinery with a view to becoming the first refiner of battery grade cobalt sulfate in North America. Electra's primary focus is to advance the expansion and recommissioning of the Refinery. The Refinery will begin with an initial production target of 5,100 tonnes per year of battery-grade cobalt sulfate, sourced from cobalt hydroxide supplied by certified mining operations in the Democratic Republic of Congo. The Company then plans to secure a permit amendment and undertake further expansion of certain refinery circuits to increase cobalt production to 6,500 tonnes per year of battery-grade cobalt sulfate, matching the Refinery's crystallization circuit's capacity. The Company has invested in larger equipment to enable this planned production increase.

Future growth initiatives at the Refinery may include recycling black mass from spent or off-spec lithium-ion batteries sourced from various battery shredders in the United States and other regions; constructing a nickel sulfate plant, potentially providing essential components (excluding manganese) to attract a precursor manufacturer to integrate with the Company's refining operations; and adjusting the Refinery's specifications and leaching process to accept North American-mined cobalt.

In 2020, the Company announced the results of an engineering study on the expansion of the Refinery that demonstrated that the facility could become a significant, globally competitive producer of cobalt sulfate for the electric vehicle market. The engineering study determined the Refinery could produce 25,000 tonnes of battery-grade cobalt sulfate annually (equating to approximately 5,000 tonnes of cobalt contained in sulfate), which would represent approximately 5% of the total refined global cobalt market and 100% of the North American cobalt sulfate supply. The study indicated strong operating margins at the asset level.

The Company initiated construction to recommission the facility in 2022, however paused construction in 2023 due to impacts of post-COVID inflation and supply chain disruptions on project schedule and costs. It was determined that approximately US\$60 million would be required to complete the construction. This construction cost estimate was as of 2023 and does not include inflation or escalation to current pricing. All long-lead, custom-fabricated equipment is on site, and the facility was operational throughout 2023 as a plant scale demonstration plant, processing battery black mass.

In June 2025, Electra launched an early works program to advance targeted site-level activities, including foundation work and installation of key equipment within the solvent extraction area, which was successfully completed in September 2025. Although the expected benefits, timing and outcomes of government funding, loans, contributions and non-binding term sheets, including from Canadian and U.S. government entities, and the satisfaction of any conditions thereto, involve certain risks and uncertainties, following receipt of commitments from three government entities the U.S. Department of War, Government of Canada, and Invest Ontario, and completion of the October 2025 Financing, the Company believes it has sufficient funding to complete construction of the Refinery based on the 2023 capital estimate, and initial construction reactivation commenced in November 2025, however additional capital may be required to complete commissioning and other activities.

Refining & Recycling of Black Mass

Black mass is the material left after expired lithium-ion batteries are shredded and their casings removed. It contains high-value elements including nickel, cobalt, manganese, copper, lithium, and graphite, which can be recycled to make new batteries. With increasing demand for these metals and a projected supply shortage of sustainable critical minerals such as nickel and cobalt, black mass recycling is increasingly important to the EV battery supply chain. McKinsey & Company predicts that available battery materials for recycling will grow by 20% per year through 2040.

In February 2023, Electra completed the first plant-scale recycling of black mass material in North America, successfully recovering key metals including nickel, cobalt, and graphite using its proprietary process. By March 2023, the plant was also recovering lithium and successfully produced mixed hydroxide precipitate (MHP) at contained metal grades for nickel and cobalt above quoted market specifications. The trial also recovered copper and manganese. In the fall of 2024, the Company achieved a key milestone, producing lithium carbonate with greater than 99% purity, or technical grade, confirming it can produce high-quality, battery-grade materials from recycled black mass. To date, the Company has shipped approximately 28 tonnes of MHP to customers.

This has attracted interest from companies in the battery supply chain looking for North American refining solutions, and in June 2024, the Company received a \$5,000 funding commitment from Canada's Critical Mineral Research Development & Demonstration Program to demonstrate that its hydrometallurgical process can recycle black mass on a continuous production basis, to prove it is scalable, profitable, and reproducible at other locations.

On June 5, 2025, the Company completed a feasibility level Class 3 Engineering study for the construction of a modular battery recycling facility adjacent to its Refinery, building on the technology and expertise accumulated during a year-long black mass recycling trial, whereby Electra produced technical grade lithium and a nickel and cobalt product from end-of-life lithium batteries.

The Refinery facility will be designed to recover lithium, nickel, cobalt, manganese, copper and graphite from lithium-ion battery manufacturing scrap and end of life batteries using the Company's hydrometallurgical process. The next phase of work, funded in part by Natural Resources Canada, will involve operating and recycling process under continuous and semi-continuous conditions to simulate commercial scale throughput.

Exploration & Evaluation Assets

The Company is focused on building a North American battery materials supply chain. The Company's Idaho Properties include the Iron Creek Project, its flagship exploration property, with a March 2023 resource estimate (the "2023 MRE"). The properties cover approximately 3,260 hectares with both patented and unpatented claims, as well as 600 meters of underground drifting. In addition to the Iron Creek resource, there are numerous cobalt-copper targets on the property.

The 2023 MRE includes a mineral resource estimate based on all drilling conducted through the end of 2022. The resource model calculated an indicated mineral resource of 4.45 million tonnes at 0.19% Co and 0.73% Cu and an inferred mineral resource of 1.23 million tonnes at 0.08% Co and 1.34% Cu. The mineralization remains open along strike and downdip. The resource does not include the Ruby target as sufficient drilling has not been performed to effectively calculate a volume and grade of mineralization. Management believes that there is potential to continue to expand the size of the Iron Creek resource and continue drilling at the Ruby target.

In July 2024, the Company announced a previously unknown copper surface showing, the Malachite Hill Copper Showing (the "MHS"), on an unexplored boundary area of the portion of the Idaho properties claims subject to the earn-in and joint venture agreement among the Company, though Idaho Cobalt Company, Borah Resources and Phoenix Copper (the "Redcastle Agreement"). The Malachite Copper Showing was discovered in 2023 and assay results of outcrop grab samples indicate elevated copper (maximum = 2,660 parts per million copper), and low cobalt values. This finding demonstrates the presence of favourable host rocks at surface in this area of the Redcastle property; however, the extent of the surface mineralization exposure remains to be determined. Interestingly, the MHS appears to be located approximately two (2) kilometers along strike (southeast) of Electra's Ruby cobalt-copper target.

In the latter half of 2024, the Company received a Decision Notice for the Iron Creek exploration drilling from U.S. Forestry Service. The 10-year exploration permit allows the Company to undertake exploration activities including setting up 91 drilling locations, along with constructing temporary access roads and staging areas, over 11.3 acres of the Idaho properties.

On October 27, 2025, Electra launched a new program to advance mineral deposit modeling and feedstock integration at its Iron Creek Project. In partnership with the Centre to Advance the Science of Exploration to Reclamation in Mining (CASERM) at the Colorado School of Mines, Electra is conducting geological research at Iron Creek using short-wave infrared hyperspectral imaging to refine its geological model and guide a potential 2026 drilling program. Bulk sampling from Adit #1 will support metallurgical testing to validate processing parameters and evaluate future feedstock compatibility with the refinery.

Electra holds a significant land position in the Idaho Cobalt Belt, including the Iron Creek deposit and the highly prospective Ruby target area.

Asset Value Continuity

	Balance January 1, 2024	Foreign Exchange	Acquisition cost	Balance December 31, 2024	Foreign Exchange	Balance December 31, 2025
Idaho, USA	\$ 85,634	\$ 7,530	\$ 36	\$ 93,200	\$ (4,424)	\$ 88,776

SUMMARY OF QUARTERLY RESULTS

	Three months ended December 31, 2025 (\$)	Three months ended December 31, 2024 (\$)
Financial Position		
Current Assets	40,502	5,711
Exploration and Evaluation Assets	88,776	93,200
Property, plant and equipment	55,078	51,189
Total Assets	185,564	151,447
Current Liabilities	88,172	71,973
Long-term Liabilities	51,142	15,156
Operations		
General and administrative	710	627
Consulting and professional fees	1,588	960
Exploration and evaluation expenditures	22	232
Investor relations and marketing	296	228
Salary and benefits	2,399	1,239
Share-based payments	705	441
Total Operating Expenses	5,720	3,727
Change in fair value of marketable securities	-	(273)
Gain (loss) on financial derivative liability – Convertible Notes	(5,679)	1,118
Changes in fair value of US Warrant	74,513	5
Loss on extinguishment of 2028 and 2027 Convertible Notes and recognition of term loan	(168,183)	-
Other non-operating expense	(8,976)	(5,789)
Net loss	(114,045)	(8,666)
Basic and diluted loss per share	(1.47)	(0.61)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2025

During the three months ended December 31, 2025, the Company recorded a net loss of \$114,045 (compared to a net loss of \$8,666 for the three months ended December 31, 2024), and a loss per share of \$1.47 (compared to a loss of \$0.61 for the three months ended December 31, 2024).

- Net loss for the three months ended December 31, 2025, included a loss of \$5,679 relating to fair value adjustment of the Notes (compared to a gain of \$1,118 - for the three months ended December 31, 2024 for the Notes). The loss on the Notes is the result of changes to the US\$/C\$ exchange rate, discount rate, and time to maturity.
- General and administrative expenses were \$710 for the three months ended December 31, 2025, compared to \$627 for the three months ended December 31, 2024. The majority of the increase was due to higher Refinery-related G&A costs.
- Consulting and professional fees were \$1,588 for the three months ended December 31, 2025 compared to \$960 for the three months ended December 31, 2024. The majority of the increase was related to higher legal fees associated with the Restructuring.

- Salary and benefits were \$2,399 for the three months ended December 31, 2025, compared to \$1,239 for the three months ended December 31, 2024. The increase was due to higher number of employees than contractors during the current period and lower compensation and benefits accruals during the previous comparable period.
- Shared-based payments for the three months ended December 31, 2025, of \$705 compared to \$441 for the three months ended December 31, 2024. The increase was due to quantity and timing of options granted and corresponding expensing thereof.
- Exploration and evaluation expenditures were \$22 for the three months ended December 31, 2025, compared to \$232 for the three months ended December 31, 2024, which included timing of annual claims fees.
- Changes in fair value of US Warrants of \$74,513 compared to \$5 for the same period in 2024. The US Warrants are in connection with the April 2025 private placement, October 2025 private placement, and the Restructuring initial fair value.
- Loss on extinguishment of the 2028 and 2027 Convertible Notes and recognition of term loan of \$168,183 consist of the de-recognition of 2028 and 2017 Convertible Notes of \$73,047, initial recognition of the US Warrants and Pre-Funded Warrants of (\$152,871), equityization of the Notes of (\$62,666) and related interest of \$11,565, and initial recognition of the October 2025 term loan (\$37,258). Pursuant to the Restructuring, the balance of the Notes outstanding has been replaced with the October 2025 Term Loan. The loss on extinguishment of debt is a non-cash expense driven by the fair value of equity instruments issued, which were measured at the elevated share price on October 22, 2025.
- Other non-operating expense of \$8,976 for the three months ended December 31, 2025 increased by \$5,789 for the three months ended December 31, 2024 due to increased transactions costs related to the Restructuring.

SUMMARY OF TWELVE MONTHS ENDED DECEMBER 31, 2025 AND 2024 RESULTS

	Twelve months ended December 31, 2025 (\$)	Twelve months ended December 31, 2024 (\$)
Operations		
General and administrative	3,071	2,902
Consulting and professional fees	5,103	3,782
Exploration and evaluation expenditures	255	442
Investor relations and marketing	622	811
Salary and benefits	6,513	4,318
Share-based payments	1,453	1,739
Total Operating Expenses	17,017	13,994
Change in fair value of marketable securities	4	41
Loss on financial derivative liability – Convertible Notes	(10,354)	(4,493)
Changes in fair value of US Warrant	74,410	7
Loss on extinguishment of 2028 and 2027 Convertible Notes and recognition of term loan	(168,183)	-
Other non-operating expense	(12,325)	(11,008)
Net loss	(133,465)	(29,447)
Basic and diluted loss per share	(4.16)	(2.07)

RESULTS OF OPERATIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2025

During the twelve months ended December 31, 2025, the Company recorded a net loss of \$133,465 (compared to a net loss of \$29,447 for the twelve months ended December 31, 2024), and a loss per share of \$4.16 (compared to a loss of \$2.07 for the twelve months ended December 31, 2024).

- Net loss for the twelve months ended December 31, 2025, included a loss of \$10,354 relating to fair value adjustment of the Notes (compared to a loss of \$4,493 for the twelve months ended December 31, 2024 for the Notes).
- General and administrative expenses were \$3,071 for the twelve months ended December 31, 2025, in line with the \$2,902 of general and administrative expenses for the twelve months ended December 31, 2024.
- Consulting and professional fees were \$5,103 for the twelve months ended December 31, 2025, compared to \$3,782 for the twelve months ended December 31, 2024. The majority of the increase was related to higher legal fees.
- Exploration and evaluation expenditures were \$255 for the twelve months ended December 31, 2025, compared to \$442 for the twelve months ended December 31, 2024, which included timing of annual claims fees. In addition, there were lower exploration salaries for the twelve months ended December 31, 2025 compared to the same period in the prior year.
- Investor relations and marketing expenses were \$622 for the twelve months ended December 31, 2025, compared to \$811 for the twelve months ended December 31, 2024. The decrease was due to lower marketing and professional services.
- Salary and benefits were \$6,513 for the twelve months ended December 31, 2025, compared to \$4,318 for the twelve months ended December 31, 2024. The increase was due to higher number of employees than contractors during the current period and lower compensation accruals during the previous comparable period.
- Share-based payments for the twelve months ended December 31, 2025 were \$1,453 compared to \$1,739 for the twelve months ended December 31, 2024. The decrease was due to quantity and timing of options granted and corresponding expensing thereof.
- Changes in fair value of US Warrant of \$74,410 compared to \$7 for the same period in 2024. The US Warrants are in connection with the April 2025 private placement, October 2025 private placement, and the Restructuring initial fair value.
- Loss on extinguishment of the 2028 and 2027 Convertible Notes and recognition of term loan of \$168,183 consist of the de-recognition of 2028 and 2017 Convertible Notes of \$76,047, initial recognition of the US Warrants and Pre-funded Warrants of (\$152,871), equitization of the Notes of (\$62,666) and related interest of \$11,565, and initial recognition of the October 2025 term loan (\$37,258). Pursuant to the Restructuring, the balance of the Notes outstanding has been replaced with the October 2025 Term Loan. The loss on extinguishment of debt is a non-cash expense driven by the fair value of equity instruments issued, which were measured at the elevated share price (by historical standards) on October 22, 2025.
- Other non-operating expense of \$12,325 increased from \$11,008 due increased transactions costs related to the Restructuring and loss on extinguishment of old royalty offset in part by gain on extinguishment of governmental loans.

SELECTED QUARTERLY FINANCIAL INFORMATION

For the three months ended,	Net income (loss)	Income (loss) per share	Total assets
December 31, 2025	\$ (114,045)	\$ (1.47)	\$ 185,564
September 30, 2025	(4,735)	(0.27)	148,082
June 2025	(2,005)	(0.11)	145,600
March 2025	(12,680)	(0.86)	151,432
December 2024	(8,565)	(0.61)	151,447
September 2024	(2,941)	(0.21)	144,715
June 2024	(5,772)	(0.41)	148,169
March 2024	(12,169)	(0.87)	149,335

CAPITAL STRUCTURE, RESOURCES & LIQUIDITY

As of the date of this MD&A, the Company has 103,738,330 common shares and 26,405,657 Pre-funded Warrants issued and outstanding. In addition, there are outstanding share purchase warrants and stock options for a further 104,219,599 and 3,385,227 common shares, respectively. The Company currently has 406,598 Deferred Share Units ("DSUs"), 179,000 Restricted Share Units ("RSUs") and no Performance Share Units ("PSUs") outstanding under its Long-Term Incentive Plan.

The following warrants were outstanding at the date of this MD&A:

Grant date	Expiry date	Number of warrants outstanding	Weighted average exercise price
April 3 and 14, 2025	October 3 and 14, 2026	761,003	US\$1.38
October 22, 2025	October 22, 2028	46,000,000	US\$1.25
October 22, 2025	October 22, 2028	55,041,712	US\$1.25
October 22, 2025	October 22, 2028	2,416,884	US\$0.75
October 22, 2025	October 22, 2028	26,405,657	Pre-funded
		130,625,256	

Capital Structure

The Company manages its capital structure to maximize its financial flexibility, adjusting it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this is appropriate, given the size of the Company.

The Company will adjust its capital structure based on management's assessment of the optimal capital mix to effectively advance its assets. As of December 31, 2025, the Company's debt component of its capital structure has a par value of \$38,920 (US\$28,396) of term loan. As a result of the Restructuring, which closed on October 22, 2025, there are no longer any Notes outstanding and the balance of such Notes has been replaced with the October 2025 Term Loan.

In February 2023, the Company refinanced its debt by issuing 2028 Notes with a principal of US\$51,000 and settling the previously issued senior secured notes due 2026 with a principal of US\$36,000, resulting in net proceeds of US\$15,000 after interest and transaction costs.

On January 12, 2024, the Company received approval from the TSXV and warrant holders to amend the terms of 10,796,054 outstanding warrants associated with the 2028 Notes expiring in February 2028. The amendments included lowering the exercise price to \$4.00 per share and adding an acceleration clause, which shortens the term to 30 days if the stock price exceeds \$4.80 for ten consecutive trading days. In such cases, warrants could be exercised on a cashless basis.

On March 13, 2024, the TSXV approved the issuance of common shares to settle US\$401 in interest associated with the 2028 Notes. On March 21, 2024, the Company issued 210,760 shares at a deemed price of \$2.58 per share, based on a 5-day volume-weighted average price, to partially satisfy interest payments on the US\$51,000 in convertible notes.

On November 27, 2024, the Company issued additional 2028 Notes to the noteholders, in the principal amount of US\$6,521, as payment-in-kind for all outstanding accrued interest owing on the 2028 Notes through to August 15, 2024. The additional 2028 Notes carry the same payment conversion terms as the balance of the 2028 Notes and were issued pursuant to a supplement to the indenture dated February 13, 2023, entered into among the Company and GLAS Trust Company LLC as trustee for the 2028 Notes and their noteholders.

Following the amendment of additional 2028 Notes, the exercise price of the 2028 Warrants was reduced to \$3.40 per share. In addition, the 2028 Warrants now include a revised acceleration clause such that their term will be reduced to thirty days in the event the closing price of the common shares on the TSXV exceeds \$3.40 by twenty percent or more for ten consecutive trading dates, with the reduced term beginning seven calendar days after such ten consecutive trading-day period. Upon the occurrence of an acceleration event, noteholders of the 2028 Warrants may exercise the 2028 Warrants on a cashless basis, based on the value of the 2028 Warrants at the time of exercise.

On December 31, 2024, the Company completed a reverse share split of its outstanding common share capital on the basis of four (4) pre-Reverse Split shares for every one (1) post-Reverse Split share. At the opening of markets on January 2, 2025, the common shares of the Company commenced trading on a post-Reverse Split basis under the existing ticker symbol "ELBM". The exercise price and the number of common shares issuable upon exercise of outstanding stock options, warrants and other outstanding securities, including comparative figures, were adjusted to reflect the reverse share split under the terms of such securities for the holders of such instruments.

On March 5, 2025, the Company announced an agreement with the holders of its senior secured debt to defer all interest payments until February 15, 2027, allowing Electra to invest its capital towards completing its cobalt refinery rather than debt servicing. The agreement covers all outstanding Notes. As consideration for this deferral, Electra was to pay additional interest of 2.25% per annum on the 2028 Notes and 2.5% per annum on the 2027 Notes.

On April 14, 2025, the Company closed the final tranche of its oversubscribed non-brokered private placement raising aggregate gross proceeds of approximately US\$3,500, the first tranche of which closed on April 3, 2025. Under the offering, an aggregate of 3,125,000 units of the Company were issued at a price of US\$1.12 per unit. Each unit consisted of one common share in the capital of the Company and one transferable common share purchase warrant (each, a "Warrant"), with each warrant entitling the holder to purchase one common share of the Company at a price of US\$1.40 at any time for a period of eighteen (18) months following the issue date. The net proceeds raised from the offering were used to advance the Refinery and for general corporate purposes.

On October 22, 2025, Electra announced the successful closing of the US\$34,500 October 2025 Financing. An aggregate of 46,000,000 units were issued at US\$0.75 per unit, each unit comprising one common share and one warrant exercisable at US\$1.25 until October 22, 2028.

Concurrent with the closing of its financing in October 2025, Electra completed the comprehensive Restructuring with the Lenders. Under the Restructuring, the Company exchanged approximately 60% of the outstanding principal and accrued interest of its Notes for equity units pursuant to the Equity Exchange and converted the remaining 40% into the October 2025 Term Loan pursuant to the Debt Exchange. The October 2025 Term Loan bears interest at 8.99% in cash or 11.125% in kind, at the Company's election and matures on October 22, 2028.

The Company will continue to observe markets with respect to various funding alternatives including equity and debt financing to ensure its liquidity and capital resources are sufficient to fund Refinery expenditures. The Company may also require working capital funding as a result of timing of cash inflows and outflows in conjunction with the ramp up of operations.

Nasdaq Compliance

On March 16, 2026, the Company received a Deficiency Notice indicating that it is not in compliance with the Minimum Bid Price Requirement. In accordance with Nasdaq rules, the Company has been granted an initial 180-day compliance period or until September 14, 2026, to regain compliance, which requires the closing bid price of its common shares to meet or exceed US\$1.00 for a minimum of 10 consecutive business days. If necessary, the Company may be eligible for an additional 180-day compliance period and retains the option to implement a reverse stock split until its next annual meeting of shareholders, following shareholder authorization of a reverse stock split at a ratio of one (1) post-reverse split Common Share for up to three-and-a-half (3.5) pre-reverse split common shares at the Company's October 15, 2025 special meeting of shareholders, subject to applicable approvals.

Liquidity

The Company's objective in managing liquidity risk is to maintain sufficient liquidity to meet operational and asset advancement requirements as well as ensuring compliance with debt covenants.

At December 31, 2025, the Company had unrestricted cash of \$39,024 (December 31, 2024 - \$3,717) compared to accounts payable and accrued liabilities of \$5,817 (December 31, 2024 - \$3,579).

As of the date of this MD&A and, as a result of the Restructuring and October 2025 Financing, the Company believes that, subject to completion of various government financing initiatives, it has sufficient financial resources necessary to complete the construction of the Refinery, however additional capital may be required to complete commissioning and other activities.

The Company had the following summarized cash flows:

	Twelve months ended December 31, 2025	Twelve months ended December 31, 2024
Cash (used) in operating activities	\$ (15,910)	\$ (17,012)
Cash (used) in / provided by investing activities	(4,475)	1,263
Cash provided by financing activities	55,695	11,899
Change in cash during the period	35,310	(3,850)
Effect of exchange rates	(3)	7
Cash, beginning of period	3,717	7,560
Cash, end of the period	\$ 39,024	\$ 3,717

Cash used in operating activities was \$15,910 during the twelve months ended December 31, 2025, compared to \$17,012 used in operating activities during the twelve months ended December 31, 2024. The decrease in cash used in operating activities was driven primarily by changes in working capital.

Cash used in investing activities was \$4,475 during the twelve months ended December 31, 2025, compared to cash provided by investing activities of \$1,263 during the twelve months ended December 31, 2024. The increase in cash used in investing activities relates to an increase in capital spending.

Cash flows provided by financing activities were \$55,695 during the twelve months ended December 31, 2025, compared to the \$11,899 from financing activities during the twelve months ended December 31, 2024. The change was primarily driven by proceeds from the equity financings completed in April and October 2025 and proceeds from the exercise of warrants.

COMMITMENTS

From time to time, the Company and/or its subsidiaries may become defendants in legal actions and the Company may take appropriate measures to minimize the impact. Electra is not aware of any claims against the Company that could reasonably be expected to have a materially adverse impact on the Company's consolidated financial position, results of operations or the ability to carry on any of its business activities.

The Company's commitments relate to purchase and services commitments for work programs relating to refinery expansion and payments under financing arrangements.

The Company had the following commitments as of December 31, 2025:

	2026	2027	2028	2029	Thereafter	Total
Purchase commitments	\$ 7,572	\$ -	\$ -	\$ -	\$ -	\$ 7,572
Term loan	-	-	50,822	-	-	50,822
Government loan payments	36	36	1,615	2,141	6,342	10,170
Lease payments	128	43	-	-	-	171
Royalty payments ¹	-	-	229	529	3,681	4,439
	\$ 7,736	\$ 79	\$ 52,666	\$ 2,670	\$ 10,023	\$ 73,174

¹ Royalty payments are estimated amounts associated with the royalty agreements entered with the debt holders as part of the October 2025 Term Loan. The estimated amounts and timing are subject to changes in cobalt sulfate prices, timing of completion of the refinery, reaching commercial operations and timing and amounts of sales.

The Company has recorded a provision for environmental remediation, reclamation and decommissioning for its Ontario assets. For the Refinery, a liability of \$2,289 has been recorded as at December 31, 2025, linked to the closure plan filed and accepted in March 2022 and updated in November 2022. In relation to the refinery closure plan, an amount of \$3,450 has been posted via a surety bond with the Ministry of Northern Development, Mines, Natural Resources and Forestry ("NDMNR") as financial assurance.

RELATED PARTY TRANSACTIONS

The Company's related parties include key management personnel and the Company's Board of Directors.

The Company paid and/or accrued during the three and twelve months ended December 31, 2025 and 2024, the following fees to management personnel and directors.

	For the three months ended December 31,		For the twelve months ended December 31,	
	2025	2024	2025	2024
Management	\$ 1,735	\$ 418	\$ 4,130	\$ 2,067
Directors' fees	72	44	230	175
	\$ 1,807	\$ 462	\$ 4,360	\$ 2,242

During the three and twelve months ended December 31, 2025, the Company had share-based payments made to management and directors of \$815 and \$1,340, respectively (for the three and twelve months ended December 31, 2024 - \$259 and \$1,422, respectively).

The primary reason for higher year over year fees to management personnel and directors for the three months and twelve months ended December 31, 2025 is lower compensation related accruals during the 2024 period.

OFF BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

Refer to Note 21 of the Company's consolidated financial statements for the years ended December 31, 2025 and 2024.

RISK MANAGEMENT

FINANCIAL RISK FACTORS

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As of the date of this MD&A and, as a result of the Restructuring and related October 2025 Financing, the Company believes that, subject to completion of various government financing initiatives, it has sufficient financial resources necessary to meet its existing business needs for at least the next 12 months. The Company attempts to ensure there is sufficient access to funds to meet ongoing business requirements, considering its current cash position and potential funding sources. Although the Company has historically been successful in obtaining financing in the past, there can be no assurances that the Company will be able to obtain adequate financing in the future. The Company has future obligations to pay interest and principal related to the term debt. Repayment of the interest-free loan from Canada's Critical Mineral Research Development & Demonstration Program begins in 2028. In conjunction with the October 2025 Term Loan, the Company is subject to a reportable minimum reportable cash balance requirement of US\$15,000.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents and restricted cash which are being held with major Canadian banks that are high-credit quality financial institutions as determined by rating agencies.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company currently does not have any financial instruments that are linked to LIBOR, SOFR, or any form of a floating market interest rate. Therefore, changes in the market interest rate does not have an impact on the Company as at December 31, 2025.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency, Canadian Dollars. The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, and accrued liabilities that are denominated in US Dollars. In addition, the Company's term debt is denominated in US dollars and fluctuations in foreign exchange rates will impact the Canadian dollar amounts required to settle interest and principal payments. The Company has not used derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange.

BUSINESS RISKS AND UNCERTAINTIES

There are many risk factors facing companies involved in the mineral exploration industry. Risk management is an ongoing exercise upon which the Company spends a substantial amount of time. While it is not possible to eliminate all the risks inherent to the industry, the Company strives to manage these risks, to the greatest extent possible. The following risks are most applicable to the Company.

Going Concern

As discussed above, as of the date of this MD&A and, as a result of the Restructuring and October 2025 Financing, the Company believes that, subject to completion of various government financing initiatives, it has sufficient financial resources necessary to complete the construction of the Refinery, however additional capital may be required to complete commissioning and other activities. The Company will continue to actively monitor funding

markets, including debt and equity, in the event it needs to increase its liquidity and capital resources. The Company is also in discussion with various parties on alternatives to finance the funding of feedstock purchases. Although the Company has historically been successful in obtaining financing in the past, there can be no assurances that the Company will be able to obtain adequate financing in the future. This represents a material uncertainty that may cast doubt on the Company's ability to continue as a going concern. The financial information presented does not include the adjustments to the amounts and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

Financing

The Company has raised funds through grants, equity financing and debt arrangements to fund its operations and the advancement of the Refinery. The market price of natural resources, specifically cobalt prices, is highly speculative and volatile. Instability in prices may affect the interest in resource assets and the development of and production from such properties. This may adversely affect the Company's ability to raise capital or obtain debt to fund corporate activities and growth initiatives.

Please refer to the factors set out under "*Risk Factors*" in our annual report on Form 20-F for the year ended December 31, 2025 dated March 27, 2026 ("Annual Report") for further information about risk factors related to our ability to obtain sufficient funding and/or raise debt or equity capital in the future, including in the event that we are not able to continue to maintain the listing of our common shares on Nasdaq.

Technical Capabilities of the Refinery

The Company's strategic priority is the advancement of the Refinery, with significant engineering studies and metallurgical testing conducted to date. There is no assurance that the final refining process will have the capabilities to produce specific end products. The Company manages this risk by employing and contracting technical experts in metallurgy and engineering to support refinery process decisions.

Ability to Meet Debt Service Obligations

The Company has debt obligations which include ongoing interest payments and payment of principal at maturity. In the event that the refinery construction is not completed as planned or sufficient cash flow from refinery operations is not generated, there is a risk that the Company may not have sufficient available capital to meet its debt obligations. Additionally, the Company is subject to certain covenants related to the October 2025 Term Loan, which include minimum liquidity of US\$15,000. Should the Company breach a covenant or be unable to service the debt, the assets pledged may be transferred to the lenders.

Macroeconomic Risks

Political and economic instability (including ongoing conflicts in Ukraine, the Gaza Strip and Iran), global or regional adverse conditions, such as pandemics or other disease outbreaks (including the COVID-19 global outbreak) or natural disasters, currency exchange rates, trade tariff developments, transport availability and cost, including import-related taxes, transport security, inflation and other factors are beyond the Company's control. The macroeconomic environment remains challenging, and the Company's results of operations could be materially affected by such macroeconomic conditions.

Industry and Mineral Exploration Risk

Mineral exploration is highly speculative, involves many risks and frequently is non-productive. There is no assurance that the Company's exploration efforts will be successful. At present, the Company's projects do not contain any proven or probable reserves. Success in establishing reserves is a result of several factors, including the quality of the project itself. Substantial expenditures are required to establish reserves or resources through drilling, to develop metallurgical processes, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Because of these uncertainties, no assurance can be given that planned exploration programs will result in the establishment of mineral resources or reserves. The Company may be subject to risks, which could not reasonably be predicted in advance. Events such as labour disputes, natural disasters or estimation

errors are prime examples of industry-related risks. The Company attempts to balance this risk through ongoing risk assessments conducted by its technical team.

Commodity Prices

The Company's mineral exploration operations and its prospects are largely dependent on movements in the price of various minerals. Prices fluctuate daily and are affected by several factors well beyond the control of the Company. The mineral exploration industry in general is a competitive market and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist. The Company has not entered any price hedging programs.

Environmental

Exploration projects or operations are subject to the environmental laws and applicable regulations of the jurisdiction in which the Company operates. Environmental standards continue to evolve, and the trend is to a longer, more complete and rigid process. The Company reviews environmental matters on an ongoing basis. If and when appropriate, the Company will make appropriate provisions in its financial statements for any potential environmental liability.

Title of Assets

Although the Company conducts title reviews in accordance with industry practice prior to any purchase of resource assets, such reviews do not guarantee that an unforeseen defect in the chain on title will not arise and defeat our title to the purchased assets. If such a defect were to occur, our entitlement to the production from such purchased assets could be jeopardized.

Competition

The Company aims to compete in the burgeoning North American critical minerals industry with the completion of the Refinery. The industry is developing in Canada with new entrants expected in the short term. Many of these competitors have substantially longer histories in the industry as well as substantially greater financial, sales and marketing resources than the Company.

The Company engages in the highly competitive resource exploration industry. The Company competes directly and indirectly with major and independent resource companies in its exploration for and development of desirable resource properties. Many companies and individuals are engaged in this business, and the industry is not dominated by any single competitor or a small number of competitors. Many of such competitors have substantially greater financial, technical, sales, marketing, and other resources, as well as greater historical market acceptance than the Company. The Company will compete with numerous industry participants for the acquisition of land and rights to prospects, and for the equipment and labour required to operate and develop such prospects.

Competition could materially and adversely affect the Company's business, operating results and financial condition. Such competitive disadvantages could adversely affect the Company's ability to participate in projects with favorable rates of return.

Cybersecurity

The Company's operations depend, in part, on how well it and its third-party service providers protect networks, equipment, information technology ("IT") systems and software against damage from a number of threats, including, but not limited to, cable cuts, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company's information technology systems and on-line activities, including its e-commerce websites, also may be subject to denial of service, malware or other forms of cyberattacks. While the Company has taken measures to protect against those types of attacks, those measures may not adequately protect its on-line activities from such attacks. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

U.S. Legislative and Regulatory Policies.

The current U.S. administration previously significantly increased tariffs on U.S. imports. In 2026, the current U.S. presidential administration has continued to threaten the enactment of additional tariffs on Canada that are as high as 100%. These tariffs have been in many cases amended, postponed, or changed in other ways since their initial announcements, including a subsequent exemption for goods compliant with the United States-Mexico-Canada Agreement, which the U.S. presidential administration is reportedly considering pulling out of. Although the United States Supreme Court recently struck down many of the administration's tariffs as unconstitutional, the administration has responded by initiating investigations under the Trade Act of 1974 against certain countries, including Canada, whose goal is to reimpose the tariffs through alternate means. This has resulted in uncertainty over the quantum and duration of tariffs, and this lack of clarity has made it difficult to manage and mitigate the impacts of tariffs. In response to these tariffs, other countries have limited their trade with the United States and have retaliated through their own restrictions and/or increased tariffs, among other actions. In particular, there is uncertainty regarding U.S. tariffs and support for existing treaty and trade relationships, including with Canada, which has been targeted by the current U.S. presidential administration and there is substantial uncertainty as to further actions that may be taken under the current U.S. presidential administration with respect to U.S. trade policy. Implementation by the U.S. government of new legislative or regulatory policies could impose additional costs on us, or otherwise negatively impact us, which may have a material adverse effect on our business, financial condition and operations. In addition, this uncertainty may adversely impact: (i) the ability of companies to transact business with companies such as us; (ii) global stock markets (including the TSXV and Nasdaq); and (iii) general global economic conditions. We continue to evaluate the evolving status of tariffs, retaliatory tariffs, and tariff countermeasures. All these factors are outside of our control, but may nonetheless lead us to adjust our strategy to compete effectively in global markets.

Additional information on risks and uncertainties relating to the Company's business is provided in the Company's Annual Report under the heading "Risk Factors". Additional information relating to Electra, including the Annual Report, is available on SEDAR+ at www.sedarplus.com. The Company's reports and Annual Reports are also available on the SEC's website at www.sec.gov.

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

The Company does not have any research and development policies.

TREND INFORMATION

Other than as disclosed elsewhere in this MD&A and our annual report on Form 20-F for the fiscal year ended December 31, 2025, we are not aware of any trends, uncertainties, demands, commitments or events since December 31, 2025 that are reasonably likely to have a material adverse effect on our revenue, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

SIGNIFICANT ACCOUNTING ESTIMATES

Refer to Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2025 and 2024.

FUTURE CHANGES IN ACCOUNTING POLICIES & INITIAL ADOPTION

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2025, and have not been early adopted in preparing these consolidated financial statements.

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1. IFRS 18 applies to annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The standard must be applied retrospectively with restatement of comparative information. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes. The Company is currently assessing the impact and efforts related to adopting IFRS 18. The Company expects the standard will primarily affect the presentation and disclosure of information within the consolidated financial statements.

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments. These amendments clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance targets); and update the disclosures for equity instruments designated at fair value through other comprehensive income. These amendments apply to annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted and the amendments are to be applied retrospectively. The Company is currently evaluating the impact these amendments may have on its consolidated financial statements and related disclosures.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As a result of progress made strengthening Internal Controls over Financial Reporting ("ICFR") during 2025 and 2024, management no longer feels there are significant deficiencies in its internal controls over financial reporting. Previous deficiencies noted by management have been ameliorated during 2025 and 2024.

Management noted improvement in the following areas where significant deficiencies existed in the past:

- Control Environment
 - The Company has added trained financial reporting and accounting personnel with appropriate skills and knowledge regarding the design, implementation, and operation of internal controls over financing reporting. The team is in the process of implementing and improving processes and procedures to identify, monitor and improve ICFR and DCP.
- Procurement, Payment and Receiving Processes
 - The Company has improved reporting and receiving processes to ensure adherence to the Company's policies at the Company's Refinery project.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with securities regulatory authorities are recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in such reports is then accumulated and communicated to the Company's management to ensure timely decisions regarding required disclosure. The Chief Executive Officer and Chief Financial Officer,

along with management, have evaluated and concluded that the Company's disclosure controls and procedures were effective and appropriately designed as at December 31, 2025.

Limitations of Controls and Procedures

The Company's management, including the President and Chief Executive Officer and Chief Financial Officer, believes that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements that may be deemed "forward-looking statements", including statements regarding developments in the Company's operations in future periods, adequacy of financial resources and plans and objectives of the Company. All statements in this document, other than statements of historical fact, which address events or developments that the Company expects to occur, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or events or conditions that "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding the advancement of the Refinery, future exploration programs, liquidity, and effects of accounting policy changes.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploration success, a successful outcome of the work in support of the recommissioning of the Refinery, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Readers are cautioned not to place undue reliance on this forward-looking information.

Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements if management's beliefs, estimates, opinions, or other factors should change except as required by law.

These statements are based on several assumptions including, among others, assumptions regarding general business and economic conditions, the timing of the receipt of regulatory and governmental approvals for the work programs described herein, the ability of the Company and other relevant parties to satisfy stock exchange and other regulatory requirements promptly, the availability of financing for the Company's proposed work programs on its assets on reasonable terms and the ability of third-party service providers to deliver services promptly. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.



ELECTRA BATTERY MATERIALS CORPORATION

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023**

(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

Report of Management's Accountability

The accompanying audited consolidated financial statements of Electra Battery Materials Corporation were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for significant accounting judgements and estimates and for the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has implemented appropriate processes to support management representations that it has exercised reasonable diligence that the consolidated financial statements fairly present, in all material respects, the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented in the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the audited consolidated financial statements to ensure the Company fulfills its financial reporting responsibilities. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and all of its members are non-management Directors. The Audit Committee reviews the consolidated financial statements, management's discussion and analysis and the external auditors' report; examines the fees and expenses for audit services; and considers the engagement or reappointment of the external auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when approving the consolidated financial statements for issuance. MNP LLP, the external auditors, have full and free access to the Audit Committee.

"Trent Mell"
President and Chief Executive Officer

"David Allen"
Chief Financial Officer

March 27, 2026



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Electra Battery Materials Corporation

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Electra Battery Materials Corporation (the "Company") as at December 31, 2025 and 2024 and the related consolidated statements of loss and other comprehensive loss, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2025, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and 2024, and the results of its consolidated operations and its consolidated cash flows for each of the years in the three-year period ended December 31, 2025, in conformity with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 of the consolidated financial statements, the Company has suffered recurring operating losses and negative cash flows from operations which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

March 27, 2026
Toronto, Ontario

We have served as the Company's auditor since 2023.

ELECTRA BATTERY MATERIALS CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025 AND 2024

(expressed in thousands of Canadian dollars)

	December 31, 2025	December 31, 2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 39,024	\$ 3,717
Marketable securities (Note 8)	-	12
Prepaid expenses and deposits	812	672
Receivables (Note 5)	666	1,310
	40,502	5,711
Non-Current Assets		
Exploration and evaluation assets (Note 7)	88,776	93,200
Property, plant and equipment (Note 6)	55,078	51,189
Capital long-term prepayments (Note 6)	-	139
Long-term restricted cash	1,208	1,208
Total Assets	\$ 185,564	\$ 151,447
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 5,817	\$ 3,579
Accrued interest	-	2,799
Convertible notes payable (Note 11)	-	63,963
Warrants (Note 11)	-	1,582
US warrants (Note 14 and 17 (c))	81,658	-
Lease liability (Note 15)	55	50
Deferred government grant (Note 10)	642	-
	88,172	71,973
Non-Current Liabilities		
Term loan (Note 13)	38,168	-
Government loan payable (Note 10)	5,196	7,824
Government grants (Note 10)	3,124	3,124
Royalty (Note 12)	2,338	1,283
Lease liability (Note 15)	27	83
Asset retirement obligations (Note 9)	2,289	2,842
Total Liabilities	\$ 139,314	\$ 87,129
Shareholders' Equity		
Common shares (Note 16)	419,966	307,723
Reserve (Note 16)	33,143	26,848
Accumulated other comprehensive income	1,498	4,639
Deficit	(408,357)	(274,892)
Total Shareholders' Equity	\$ 46,250	\$ 64,318
Total Liabilities and Shareholders' Equity	\$ 185,564	\$ 151,447
Going Concern (Note 1)		
Commitments and Contingencies (Note 24)		
Subsequent events (Note 27)		

Approved on behalf of the Board of Directors and authorized for issue on March 27, 2026

Alden Greenhouse, Director

Trent Mell, Director

See accompanying notes to consolidated financial statements.

ELECTRA BATTERY MATERIALS CORPORATION
CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023
(expressed in thousands of Canadian dollars)

	For the years ended December 31,		
	2025	2024	2023
Operating expenses			
General and administrative	\$ 3,071	\$ 2,902	\$ 2,395
Consulting and professional fees	5,103	3,782	4,659
Exploration and evaluation expenditures	255	442	700
Investor relations and marketing	622	811	633
Salaries and benefits	6,513	4,318	3,775
Share-based payments (Note 17)	1,453	1,739	1,821
Operating loss:	17,017	13,994	13,983
Other			
Unrealized gain (loss) on marketable securities (Note 8)	4	41	(253)
(Loss) gain on financial derivative liability – Convertible Notes (Note 11)	(10,354)	(4,493)	6,683
Changes in fair value of US warrants (Note 14 and 17 (c))	74,410	7	1,243
Loss on extinguishment of 2028 and 2027 Notes (Note 11)	(168,183)	-	-
Impairment	-	-	(51,884)
Other non-operating loss (Note 19)	(12,325)	(11,008)	(6,472)
Net loss	\$ (133,465)	\$ (29,447)	\$ (64,666)
Other comprehensive income (loss):			
Fair value adjustment of 2028 Notes and 2027 Notes due to own credit risk	1,283	(1,342)	-
Foreign currency translation gain (loss)	(4,424)	7,538	(2,082)
Net loss and other comprehensive loss	\$ (136,606)	\$ (23,251)	\$ (66,748)
Basic and diluted loss per share (Note 20)	\$ (4.16)	\$ (2.07)	\$ (5.96)
Weighted average number of common shares outstanding - Basic and diluted (Note 20)	32,104,582	14,256,263	10,857,737

See accompanying notes to consolidated financial statements.

ELECTRA BATTERY MATERIALS CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

(expressed in thousands of Canadian dollars)

	Common Shares		Reserves	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
	Number of shares	Amount				
Balance – January 1, 2025	14,809,197	\$ 307,723	\$ 26,848	\$ 4,639	\$ (274,892)	\$ 64,318
Other comprehensive earnings for the period	-	-	-	(3,141)	-	(3,141)
Net loss for the period	-	-	-	-	(133,465)	(133,465)
Share-based payment expense	-	-	1,453	-	-	1,453
Directors' fees paid in deferred share units	-	-	254	-	-	254
Exercise of warrants (Note 16)	2,481,786	13,925	-	-	-	13,925
Exercise of broker warrants, restricted share units and stock options (Note 16)	107,860	287	(125)	-	-	162
April private placement, net of transaction costs of \$338 (Note 16)	3,125,000	3,421	109	-	-	3,530
October private placement, net of transaction costs of \$5,078 (Note 16)	46,000,000	24,642	4,604	-	-	29,246
Exercise of pre-funded warrants	5,330,000	7,302	-	-	-	7,302
Shares issued on settlement of 2028 and 2027 Notes (Note 11)	27,128,396	62,666	-	-	-	62,666
Balance – December 31, 2025	98,982,239	\$ 419,966	\$ 33,143	\$ 1,498	\$ (408,357)	\$ 46,250
Balance – January 1, 2024	13,962,832	\$ 304,721	\$ 25,579	\$ (1,557)	\$ (245,445)	\$ 83,298
Other comprehensive earnings for the period	-	-	-	6,196	-	6,196
Net loss for the period	-	-	-	-	(29,447)	(29,447)
Share-based payment expense	-	-	1,739	-	-	1,739
Directors' fees paid in deferred share units	-	-	29	-	-	29
Proceeds from issuance of shares, net of transaction costs (Note 16)	443,225	1,221	-	-	-	1,221
Warrants issued in connection with 2027 Notes, net of transaction costs (Note 17)	-	-	605	-	-	605
Performance based incentive payment (Note 17)	41,314	134	-	-	-	134
Exercise of restricted and performance share units (Note 17)	151,066	1,104	(1,104)	-	-	-
Settlement of interest on 2028 Notes (Notes 11 and 17)	210,760	543	-	-	-	543
Balance – December 31, 2024	14,809,197	\$ 307,723	\$ 26,848	\$ 4,639	\$ (274,892)	\$ 64,318

See accompanying notes to consolidated financial statements.

ELECTRA BATTERY MATERIALS CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

(expressed in thousands of Canadian dollars)

	Common Shares		Reserves	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
	Number of shares	Amount				
Balance – January 1, 2023	8,796,494	\$ 288,871	\$ 17,892	\$ 525	\$ (180,779)	\$ 126,509
Other comprehensive loss for the period	-	-	-	(2,082)	-	(2,082)
Net loss for the period	-	-	-	-	(64,666)	(64,666)
Share-based payment expense	-	-	1,226	-	-	1,226
Directors' fees paid in deferred share units	-	-	595	-	-	595
Exercise of warrants, options, deferred share units, performance share units and restricted share units	763	17	(17)	-	-	-
Proceeds from issuance of shares, net of transaction costs	4,886,364	14,077	5,883	-	-	19,960
Settlement transaction costs on 2028 Notes	19,375	240	-	-	-	240
Convertible notes conversion	92,136	998	-	-	-	998
Settlement of interest on 2028 Notes (Note 11)	165,200	795	-	-	-	795
2022 Private Placement transaction costs	-	(284)	-	-	-	(284)
Settlement of easement	2,500	7	-	-	-	7
Balance – December 31, 2023	13,962,832	\$ 304,721	\$ 25,579	\$ (1,557)	\$ (245,445)	\$ 83,298

See accompanying notes to consolidated financial statements.

ELECTRA BATTERY MATERIALS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023
(expressed in thousands of Canadian dollars)

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Operating activities			
Net loss	\$ (133,465)	\$ (29,447)	\$ (64,666)
Adjustments for items not affecting cash:			
Share-based payments	1,707	1,768	1,821
Change in fair value of marketable securities	(4)	(41)	253
Realized gain on marketable securities	(1)	(306)	(90)
Depreciation (Note 6)	96	65	56
Accretion (Notes 9, 10 and 12, 13)	995	1,008	-
Interest expense on 2028 and 2027 Notes (Note 19)	8,766	6,731	4,805
Changes in fair value of convertible 2028 Notes and 2027 Notes (Note 11)	12,118	4,356	-
Changes in fair value of convertible 2026 Notes	-	-	5,076
Loss on extinguishment of 2026 Notes and recognition of 2028 Notes	-	-	18,727
Interest expense on term loan (Note 13)	824	-	-
Loss on extinguishment of 2028 and 2027 Notes (Note 11 and 14)	168,183	-	-
Cancellation of 2028 Warrants (Note 11)	(1,764)	137	(30,758)
Settlement of transaction costs on 2028 Notes	-	-	(240)
Impairment charge	-	-	51,884
Gain on extinguishment of government loans (Note 19)	(3,311)	-	-
Loss on extinguishment of royalty (Note 12)	1,023	-	-
Changes in fair value of US warrants (Note 14 and 19)	(74,410)	(7)	(1,243)
Performance based incentive payment	-	134	-
Unrealized loss on foreign exchange	(1,822)	4,272	696
Broker warrants issued in the New Equity Offering recorded in profit or loss	1,772	-	-
Other	-	-	15
	\$ (19,293)	\$ (11,330)	\$ (13,664)
Changes in working capital:			
Increase (decrease) in receivables	644	(229)	1,848
Increase in prepaid expenses and other assets	(140)	(204)	247
(Decrease) increase in accounts payable and accrued liabilities	2,238	(5,249)	(11,477)
Increase in deferred government loan	641	-	-
Cash used in operating activities	\$ (15,910)	\$ (17,012)	\$ (23,046)
Investing activities			
Payment (transfer) to / from restricted cash	-	888	(1,158)
Proceeds from sale of marketable securities (Note 8)	17	930	816
Exploration and evaluation expenditures	-	(36)	-
Additions to property, plant and equipment (Note 6)	(4,492)	(519)	(13,705)
Cash provided in investing activities	\$ (4,475)	\$ 1,263	\$ (14,047)
Financing activities			
Proceeds from issuance of shares, net transaction cost of \$Nil (2024 - \$180 and 2023 - \$1,582)	-	1,221	19,960
Transaction costs private placement 2022	-	-	(284)
Proceeds from non-brokered April private placement, net of transaction costs \$338 (Note 16)	4,679	-	-
Proceeds from government loans 2024 - net of repayments of \$45 (Note 10)	(27)	5,222	250
Proceeds from bridge loan (Note 11)	2,784	-	-
Repayment of bridge loan (Note 11)	(2,784)	-	-
Proceeds from October Private placement, net of cash transaction costs of \$2,246 (Note 16)	46,071	-	-
Proceeds from exercise of warrants and stock options (Note 14)	5,022	-	-
Proceeds from 2027 Notes, net of transaction costs of \$722 (Note 11)	-	5,498	-
Proceeds from 2028 Notes	-	-	68,049
Repayment of 2026 Notes	-	-	(48,036)
Settlement of transaction costs on 2028 Notes	-	-	(2,100)
Exercise of Convertible Notes	-	-	397
Interest settlement of 2026 Notes	-	-	(1,656)
Payment of lease liability, net of interest	(50)	(42)	(43)
Cash provided by financing activities	\$ 55,695	\$ 11,899	\$ 36,537
Change in cash during the period	35,310	(3,850)	(556)
Effect of exchange rates	(3)	7	164
Cash, beginning of the period	3,717	7,560	7,952
Cash, end of period	\$ 39,024	\$ 3,717	\$ 7,560

See accompanying notes to consolidated financial statements.

ELECTRA BATTERY MATERIALS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023
(expressed in thousands of Canadian dollars)

1. Nature of Operations

Electra Battery Materials Corporation (the “Company”, “Electra”) was incorporated on July 13, 2011 under the Business Corporations Act of British Columbia (the “Act”). On September 4, 2018, the Company filed a Certificate of Continuance into Canada and adopted Articles of Continuance as a Federal Company under the Canada Business Corporations Act (the “CBCA”). On December 6, 2021, the Company changed its corporate name from First Cobalt Corp. to Electra Battery Materials Corporation. The Company is in the business of producing battery materials for the electric vehicle supply chain. The Company is currently in the process of building a refinery focused on the supply of cobalt, nickel and recycled battery materials.

Electra is a public company which is listed on the Toronto Venture Stock Exchange (“TSXV”) (under the symbol ELBM) and on the NASDAQ (under the symbol ELBM). The Company’s registered office is 40 Temperance Street, Suite 3200, Bay Adelaide Centre – North Tower, Toronto, Ontario, Canada M5H 0B4 and the corporate head office is located at 133 Richmond Street W, Suite 602, Toronto, Ontario, M5H 2L3.

On December 31, 2024, the Company completed a share consolidation on the basis of one new post-consolidation common share for every four (4) pre-consolidation common shares. All prior share capital information has been presented based on this ratio.

The Company is focused on building a North American integrated battery materials facility for the electric vehicle supply chain. The Company is in the process of constructing its expanded hydrometallurgical cobalt refinery (the “Refinery”) in Ontario, Canada, assessing the various optimizations and modular growth scenarios for a recycled battery material (known as black mass) program, and exploring and developing its mineral properties.

Going Concern Basis of Accounting

The accompanying audited consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the foreseeable future, and, as such, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The Company has recurring net operating losses and negative cash flows from operations. As of December 31, 2025 and December 31, 2024, the Company had an accumulated deficit of \$408,357 and \$274,892, respectively. The Company’s recurring losses from operations and negative cash flows raise substantial doubt about the Company’s ability to continue as a going concern. The global economy, including the financial and credit markets, have experienced volatility and disruptions, including fluctuating inflation rates and interest rates, foreign currency impacts, declines in consumer confidence, and declines in economic growth. Additionally, the Company suspended construction of the Refinery in 2023 due to lack of sufficient funding in the wake of supply chain disruptions. These factors point to uncertainty about economic stability, and the severity and duration of these conditions on our business cannot be accurately predicted, and the Company cannot assure that it will remain in compliance with the financial covenants contained within its credit facilities. Management monitors recent developments in relation to global tariffs and does not anticipate material impacts on the financial position of the Company.

ELECTRA BATTERY MATERIALS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

(expressed in thousands of Canadian dollars)

In order to continue its operations, the Company must achieve profitable operations and/or obtain additional equity or debt financing. Until the Company achieves profitability, management plans to fund its operations and capital expenditures with cash on hand, borrowings, and issuance of capital stock. Until the Company generates revenue at a level to support its cost structure, the Company expects to continue to incur significant operating losses and net cash outflows from operating activities.

The Company is actively pursuing various alternatives including government grants and loans, strategic partnerships, equity and debt financing to increase its liquidity and capital resources. During 2024, a government loan from Federal Economic Development Agency for Northern Ontario ("FedNor") was received in the amount of \$5,267. On August 19, 2024, the Company was awarded US\$20,000 in funding by the U.S. Department of Defense ("DoD") for the construction of the Refinery funded on a reimbursement basis. The award was made pursuant to Title III of the Defense Production Act (DPA) to expand domestic production capability. On November 27, 2024, the Company completed a private placement of US\$1,000 as detailed in Note 16 (b). On November 27, 2024, the Company issued secured convertible notes in the principal amount of US\$4,000 as detailed in Note 11. During the year ended December 31, 2025, the Company completed private placements and raised US\$38,000 in gross proceeds from issuance of common shares and warrants, as detailed in Note 11 and completed restructuring transaction with its 2028 and 2027 noteholders (See Note 16).

Although the Company has historically been successful in obtaining financing in the past, there can be no assurances that the Company will be able to obtain adequate financing in the future. These consolidated financial statements do not include the adjustments to the amounts and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

2. Material Accounting Policies and Basis of Preparation

Basis of Preparation and Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standard Board.

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are classified as fair value through profit or loss ("FVTPL"). All amounts on the consolidated financial statements are presented in thousands of Canadian dollars, except share and per share amounts, and otherwise noted.

Functional Currency

The functional currency of the Company and its controlled entities are measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the Company and its subsidiaries is Canadian dollars, except for Australia entities which have a functional currency of Australian Dollars and United States entities which have a functional currency of US Dollars.

ELECTRA BATTERY MATERIALS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

(expressed in thousands of Canadian dollars)

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are retranslated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at 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.

Foreign exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the costs of assets as they are regarded as an adjustment to interest costs on those currency borrowings.
- Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation are recognized in other comprehensive income or loss.

The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the end of the financial reporting period;
- Income, expenses, and cash flows are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions);
- Equity transactions are translated using the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity as accumulated other comprehensive income or loss.

During 2023, the Company considered primary and secondary indicators in determining functional currency including the currency in which funds from financing activities were generated, the Company re-evaluated the functional currency of its US subsidiaries and determined that a change in their functional currency from Canadian dollars to US Dollars was appropriate. Accordingly, the Company recorded a translation adjustment in 2023, to reflect the impact of translating the Company's US Dollar assets and liabilities into Canadian Dollars (the presentation currency) at the opening spot rate for the year. The change in functional currency for these subsidiaries was applied prospectively.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its controlled entities. Control is achieved when the Company has the power to govern the financial operating policies of an entity to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

ELECTRA BATTERY MATERIALS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

(expressed in thousands of Canadian dollars)

The following active subsidiaries have been consolidated for all dates presented within these financial statements:

Subsidiary	Ownership	Location	Status
Cobalt One Pty.	100%	Australia	Active
Cobalt Camp Refinery Ltd.	100%	Canada	Active
US Cobalt Inc. ("USCO")	100%	Canada	Active
1086370 BC Ltd.	100%	Canada	Active
Idaho Cobalt Company	100%	United States	Active

All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

Restricted Cash

Long-term restricted cash relates to amounts on deposit as financial assurance for the refinery closure plan.

Marketable Securities

Marketable securities represent shares held in a publicly traded company. Marketable securities held by the Company are held for trading purposes and are classified as financial asset measured at FVTPL. At each reporting date, the Company marks-to-market the value of the marketable securities based on quoted market prices; therefore, these financial assets are classified as Level 1 on the fair value hierarchy.

Any profit or loss arising from the sale of these securities, or the revaluation at reporting dates, is recorded to the consolidated statement of income (loss) and other comprehensive income (loss). As the marketable securities are held for trading purposes and not as part of a strategic investment, they are expected to be liquidated within a twelve-month period and are classified as a current asset on the statement of financial position.

Financial Instruments

Cash and cash equivalents, restricted cash, receivables, accounts payable and accrued liabilities, and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

The Company recognizes all financial assets initially at fair value and classifies them into one of the following measurement categories: FVTPL, fair value through other comprehensive income or amortized cost, as appropriate.

Financial liabilities are initially recognized at fair value and classified as either FVTPL or amortized cost, as appropriate.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

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At each reporting date, the Company assesses whether there is objective evidence that a financial asset has been impaired.

The Company had made the following classification of its financial instruments:

Financial assets or liabilities, accrued interest and lease liability	Measurement Category
Cash and cash equivalents	Amortized Cost
Restricted cash	Amortized Cost
Receivables	Amortized Cost
Marketable securities	FVTPL
Account payable and accrued liabilities	Amortized Cost
Convertible notes payable	FVTPL
Term loan	Amortized Cost
Government loan payable	Amortized Cost
US Warrants	FVTPL
Royalty	Amortized Cost

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;

Level 3 – Inputs that are not based on observable market data.

Exploration and Evaluation Assets

The acquisition costs of mineral property interests have been capitalized as exploration and evaluation assets within the Company's financial statements. Subsequent exploration and evaluation costs are expensed until the property to which they relate has demonstrated technical feasibility and commercial viability, after which costs are capitalized.

The acquisition costs include the cash consideration paid and the fair market value of any shares issued for mineral property interests being acquired or optioned pursuant to the terms of relevant agreements. When a partial sale of a mineral property occurs, if control is lost the asset is derecognized and there is a resultant gain or loss recorded to profit and loss in the period the transaction takes place. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are derecognized, with any gain or loss included in profit or loss in the period the transaction takes place.

Management reviews its mineral property interests at each reporting period for indicators of impairment taking into consideration whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future and management's assessment of likely proceeds from the disposition of the property. If a property's carrying value exceeds its recoverable amount through either not being recoverable, being abandoned, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written down to their recoverable amount.

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Should a project be put into production, the costs of acquisition will be amortized using the units-of-production method over the life of the project based on estimated economic reserves.

Property, Plant and Equipment

Plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and borrowing costs related to the acquisition or construction of the qualifying assets.

Depreciation of plant and equipment commences when the asset is in the condition and location necessary for it to operate in the manner intended by management. Plant and equipment assets are depreciated using the straight-line method over the estimated useful life of the asset. Where an item of plant and equipment comprises of major components with different useful lives, the components are accounted for as separate items of plant and equipment. Depreciation is recognized in the consolidated statement of loss and comprehensive loss upon commercial production having been achieved.

At the date of these consolidated financial statements no plant and equipment assets are in use, except for vehicles which are depreciated over five years. The Company will assess the useful lives of the assets once they are put into use.

Development costs associated with bringing the Company's Refinery to the location and condition necessary for it to be capable of operating in its intended manner are capitalized as property, plant and equipment costs.

Capital Long-Term Prepayments

For major equipment items where milestone payments are made during the manufacturing process, these costs are initially recorded as capital long-term prepayments. Once the piece of equipment is delivered to the Refinery site, the associated cost is then reclassified to property, plant and equipment costs.

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. For such contracts, the Company recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date.

The ROU asset is initially measured at cost, which comprises of initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and any estimated costs to dismantle or restore the underlying asset, less any lease incentives received. ROU asset is subsequently depreciated using straight-line method over the lease term, or useful life of the underlying asset

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if a purchase option is expected to be exercised. ROU asset is presented as part of property, plant and equipment.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date and subsequently measured at amortized cost using the effective interest rate method.

Lease payments for short-term leases with a term of 12 months or less, leases of low-value assets, as well as leases with variable lease payments are recognized as an expense over the term of such leases.

Borrowing Costs

Borrowing costs are expensed as incurred except where they relate to the financing of construction or development of qualifying assets in which case they are capitalized as property, plant and equipment up to the date when the qualifying asset is ready for its intended use. Capitalization of borrowing costs is suspended during extended periods when active development of a qualifying asset is ceased

Majority of the proceeds from the convertible notes and the government grant are being utilized for the construction and expansion of the Refinery, which given its construction timeline of over a year, is a qualifying asset under IAS 23 Borrowing Costs. Construction of the Refinery has not resumed during 2025 and 2024 and no borrowing costs have been capitalized during the year ended December 31, 2025 and 2024.

Impairment

(i) Financial assets

For financial assets measured at amortized cost, the impairment model under IFRS 9, Financial Instruments ("IFRS 9"), reflects expected credit losses. The Company recognizes loss allowances for expected credit losses and changes in those expected credit losses. At each reporting date, financial assets carried at amortized cost are assessed to determine whether they are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

(ii) Non-financial assets

Non-financial assets are evaluated at each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, 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, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

Previously recognized impairment losses are evaluated at each reporting period for indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of that asset, and an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on the fair value of goods or services received.

Warrants classified as equity

Warrants classified as equity are recorded at fair value as of the date of issuance on the Company's consolidated statement of financial position and no further adjustments to their valuation are made.

Warrants classified as liabilities

Warrants classified as derivative liabilities and other derivative financial instruments require separate accounting as liabilities are recorded on the Company's consolidated statement of financial position at their fair value on the date of issuance and will be revalued on each subsequent balance sheet date until such instruments are exercised or expire, with any changes in the fair value between reporting periods recorded as fair value gain or loss in the consolidated statements of loss and comprehensive loss.. Management estimates the fair value of these liabilities using option pricing models and assumptions that are based on the individual characteristics of the warrants or instruments on the valuation date, as well as assumptions for expected volatility, expected life, yield, and risk-free interest rate.

Share-based Payment Transactions

The Company has a long-term incentive plan that provides for the granting of options, deferred share units ("DSUs"), restricted share units ("RSUs") and performance share units ("PSUs") to officers, directors, consultants and related company employees to acquire shares of the Company.

(i) Stock options

The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in reserves as the options vest. Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model considering the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of either the vesting date, or the date the goods or services are received. On vesting, share-based payments are recorded as an operating expense and as reserves. When options are exercised, the consideration received is recorded as share capital.

(ii) Deferred, restricted and performance share units

Deferred Share Units ("DSUs"), Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") are classified as equity settled share-based payments and are measured at fair value on the grant date. The expense for DSUs, RSUs and PSUs, to be redeemed in shares, is recognized over the vesting period, or using management's best estimate when contractual provisions restrict vesting until completion of certain performance conditions, with a charge as an expense and a corresponding increase in reserves as the

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instrument vests. Upon exercise of any DSUs, RSUs, and PSUs, the grant date fair value of the instrument is transferred to share capital.

Asset Retirement Obligation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such obligation is recognized as an asset retirement obligation. The estimated costs arising from the future decommissioning of plant and other site preparation work, discounted to their net present value where material, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pretax rate that reflect the time value of money and risks specific to the liability, are used to calculate the net present value. Costs are charged against profit or loss over the economic life of the related asset, through amortization of the asset retirement obligation using either the unit-of-production or the straight-line method. The related liability is adjusted at each period end with changes related to the unwinding of the discount rate accounted for in profit or loss and changes related to the current market-based discount rate or the amount or timing of the underlying cash flows needed to settle the obligation accounted for as an adjustment to the related rehabilitation asset.

Income Taxes

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

Income / Loss per share

The Company presents basic and diluted income/loss per share ("LPS") data for its common shares. Basic LPS is calculated by dividing the income/loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all dilutive potential common shares related to outstanding stock options and warrants issued by the Company. In a period of losses, the warrants, options and non-vested RSUs, PSUs and DSUs are excluded for the determination of dilutive net loss per share because their effect is anti-dilutive.

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Operating Segments

The Company's Chief Operating Decision Maker reviews operating results and assesses performance for the Refinery and Exploration and Evaluation activities on a separate basis, and therefore, the Refinery and Exploration and Evaluation assets both meet the definition of a segment. Upon the decision to move into the full development stage of the Refinery, this business unit is likely to earn revenue and incur expenses that are separate and discrete from the rest of the Company. The Company's operating segments are as follows:

- Refinery
- Exploration and Evaluation
- Corporate and Other

Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities and include directors and key management of the Company and its parent. A transaction is a related party transaction when there is a transfer of resources, services or obligations between related parties.

Government Loans

The Company received funding from the Federal Government of Canada in the form of non-interest-bearing loans. The Company records the present value of these loans, assuming a market rate of interest, as a liability in accordance with *IFRS 9 Financial Instruments*. The difference between the funding received and the present value of the loan is the benefit provided by the below market interest rate and is recorded as government grant liability. This is amortized to income over the life of the Refinery asset to which the funding related to.

The funding from the Federal Government of Canada is received as a proportion of construction costs incurred.

Government Grant / Award

Governmental grants are accounted for in accordance with IAS 20, Accounting for Governmental Grants. Governmental grants are recognised when they are received or receivable and when there is reasonable assurance that the Company will comply with any conditions attached to the grant.

The Company received funding from the Ontario Government and US Department of Defense in the form of a non-repayable grant. Grant income is recognized only when there is reasonable assurance that the Company has complied with the conditions attaching to the grant and that reimbursement will be received. Amounts received in advance, if any, are recorded as deferred government grants. Government grants will be recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to assets shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Convertible Notes Payable

Convertible notes payable are financial instruments which contain a separate financial liability and equity instrument. These financial instruments are accounted for separately dependent on the nature of their components. The identification of such components embedded within a convertible notes payable requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. The convertible notes are considered to contain embedded derivatives. The embedded

derivatives were measured at fair value upon initial recognition and separated from the debt component of the notes. The debt component of the notes is measured at residual value upon initial recognition. Subsequent to initial recognition, the embedded derivative components are re-measured at fair value at each reporting date while the debt components are accreted to the face value of the note using the effective interest rate through periodic charges to finance expense over the term of the note. The Company elected to measure the convertible notes payable at fair value as a whole instrument ("FVO"), therefore the convertible notes payable are measured at FVTPL at their entirety. To the extent there are changes to the terms of outstanding loans, these changes may be recorded as a modification or an extinguishment. A substantial change in the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows at the original effective interest rate under the new terms is at least 10% different from the discounted present value of the cash flows at the original financial liability. For a modification that does not result in de-recognition, a gain or loss will be recognized in profit or loss for the difference between the original contractual cash flows and the modified cash flows discounted at the original interest rate. For a modification that results in de-recognition, a gain or loss will be recognized in profit or loss for the difference between the carrying amount of the financial liability extinguished and the fair value of the modified financial liability.

3. Significant Accounting Judgments and Estimates

The preparation of the Company's financial statements in conformity with IFRS Accounting Standards as issued by the International Accounting Standard Board requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ significantly from these estimates.

Judgments and estimates that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

- *Refinery Asset*
The net carrying value of the Refinery asset is reviewed regularly for conditions that suggest potential indications of impairment. The review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the technological, market, economic or legal environment in which the entity operates; and internal indicators that the economic performance of the asset will be worse than expected.
- *Exploration and Evaluation Assets*
The net carrying value of each mineral property is reviewed regularly for conditions that suggest potential indications of impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future and management's assessment of likely proceeds from the disposition of the property.

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- *Convertible Note and Financial Derivative Liability*
The Convertible Note and Financial Derivative Liability comprising of US dollar denominated warrants involve significant estimation. The fair value determined at inception and is reviewed and adjusted on a quarterly basis or when conversions take place. Factors considered in the fair value of the financial derivative liability are risk free rate, the Company's share price, equity volatility, and credit spread.
- *Asset Retirement Obligation*
Management's determination of the Company's asset retirement obligation is based on the reclamation and closure activities it anticipates as being required, the additional contingent mitigation measures it identifies as potentially being required and its assessment of the likelihood of such contingent measures being required, and its estimate of the probable costs and timing of such activities and measures. Significant estimations must be made when determining such reclamation and closure activities and measures required or potentially required.
- *Share-based Payments*
Valuation of stock-based compensation and warrants requires management to make estimates regarding the inputs for option pricing models, such as the expected life of the option, the volatility of the Company's stock price, the vesting period of the option and the risk-free interest rate are used. Actual results could differ from those estimates. The estimates are considered for each new grant of stock options, RSUs, DSUs and PSUs.
- *Royalty Liability*
The royalty liability requires management to make estimates regarding the inputs for future royalty cash payments, such as the timing of revenues, the amount of revenues and the effective interest rate. Actual results could differ from those estimates.

4. New Accounting Standards Issued

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2025, and have not been early adopted in preparing these consolidated financial statements.

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1. IFRS 18 applies to annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The standard must be applied retrospectively with restatement of comparative information. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes. The Company is currently assessing the impact and efforts related to adopting IFRS 18. The Company expects the standard will primarily affect the presentation and disclosure of information within the consolidated financial statements.

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments. These amendments clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

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add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance targets); and update the disclosures for equity instruments designated at fair value through other comprehensive income. These amendments apply to annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted and the amendments are to be applied retrospectively. The Company is currently evaluating the impact these amendments may have on its consolidated financial statements and related disclosures.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates and are not expected to have a significant impact on the Company's consolidated financial statements.

5. Receivables

	December 31,		December 31,	
	2025		2024	
GST receivables	\$	505	\$	494
Grant receivables		146		570
Other		15		246
	\$	666	\$	1,310

6. Property, Plant and Equipment and Capital Long-Term Prepayments

Cost	Property, Plant and Equipment	Construction in Progress	Right-of- use Assets	Total
January 1, 2024	\$ 5,989	\$ 45,074	\$ 301	\$ 51,364
Reclassification	1,334	(1,334)	-	-
Additions during the period	133	386	-	519
Transfers to capital long-term prepayments	-	(139)	-	(139)
Asset retirement obligation - Change in estimate	(384)	-	-	(384)
Balance December 31, 2024	\$ 7,072	\$ 43,987	\$ 301	\$ 51,360
Additions during the period	364	4,128	-	4,492
Transfers to capital long-term prepayments	-	139	-	139
Asset retirement obligation - Change in estimate	(646)	-	-	(646)
Balance December 31, 2025	\$ 6,790	\$ 48,254	\$ 301	\$ 55,345
Accumulated Depreciation				
January 1, 2024	\$ 10	\$ -	\$ 96	\$ 106
Change for the period	-	-	65	65
Balance December 31, 2024	\$ 10	\$ -	\$ 161	\$ 171
Change for the period	38	-	58	96
Balance December 31, 2025	\$ 48	\$ -	\$ 219	\$ 267
Net Book Value				
Balance December 31, 2024	\$ 7,062	\$ 43,987	\$ 140	\$ 51,189
Balance December 31, 2025	\$ 6,742	\$ 48,254	\$ 82	\$ 55,078

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Majority of the Company's property, plant, and equipment assets relate to the Refinery located near Temiskaming Shores, Ontario, Canada. The DoD retains title to certain construction in progress assets (Note 10) the remaining property, plant and equipment and construction in progress are pledged as security for the term loan (Note 13).

7. Exploration and Evaluation Assets

	Balance January 1, 2024	Foreign Exchange	Acquisition cost	Balance December 31, 2024	Foreign Exchange	Balance December 31, 2025
Idaho, USA	\$ 85,634	\$ 7,530	\$ 36	\$ 93,200	\$ (4,424)	\$ 88,776

All of the Iron Creek mineral properties are pledged as security for the term loan. Upon successful commissioning of the Refinery, the Iron Creek mineral properties will be released from the term loan security package.

Certain claims relating to the Iron Creek properties were acquired by the Company against earn-in and option agreements entered with the original owners of such claims. These agreements provide a working interest in the property to the Company, upon making certain milestone payments and/or incurring certain expenditures on the property. The claims are also subject to future net smelter royalty ("NSR") payments.

8. Marketable Securities

There were no marketable securities at December 31, 2025 (December 31, 2024 - \$12). Shares are marked-to-market at the end of each quarter resulting in an unrealized gain of \$4 being recorded during the year ended December 31, 2025 (for the year ended December 31, 2024 – unrealized gain of \$41). During the year ended December 31, 2025, the Company sold marketable securities for proceeds of \$17 from sale of 48,219 shares, (for the year ended December 31, 2024 proceeds were \$930 from sale of 2,332,000 shares) and realized gain of \$1 (the year ended December 31, 2024 – gain of \$306).

9. Asset Retirement Obligation

As at December 31, 2025, the estimated cost of closure is \$3,381. The Company maintains a surety bond for \$3,450 as financial assurance based on the October 2021 closure plan.

The full estimated closure cost in the latest closure plan incorporated a number of new disturbances that have yet to take place, such as new roadways, new chemicals on site, and a new tailings area. The latest closure

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plan also included cost updates relating to remediating disturbances that existed at December 31, 2025. The following assumptions were used to calculate the asset retirement obligation:

- Discounted cash flows of \$2,289 (December 31, 2024 - \$2,842)
- Closure activities date in year 2073 (December 31, 2024 – 2073)
- Risk-free discount rate of 3.84% (December 31, 2024 – 3.33%)
- Long-term inflation rate of 3.0% (December 31, 2024 – 3.0%)

The continuity of the asset retirement obligation at December 31, 2025 and December 31, 2024 are as follows:

	December 31,		December 31,	
	2025		2024	
Balance at January 1,	\$	2,842	\$	3,126
Change in estimate from discounting and estimate of costs		(646)		(384)
Accretion		93		100
Balance	\$	2,289	\$	2,842

10. Long-Term Government Loan Payable, Grants and Awards

On November 24, 2020, the Company entered into a contribution agreement with the Ministry of Economic Development and Official Languages as represented by the Federal Economic Development Agency for Northern Ontario (“FedNor”) for up to \$5,000 financing related to the recommissioning and expansion of the Refinery in Ontario. The contribution was in the form of debt bearing a 0% interest rate and funded in proportion to certain Refinery construction activities. The Company received approval for an additional \$5,000 funding under the agreement on December 27, 2023, which was fully received during the year ended December 31, 2024.

Once construction is completed, the cumulative balance borrowed will be repaid in 19 equal quarterly instalments. The loan was discounted using a market rate between 7.0% and 17.1% with the resulting difference between the amortized cost and cash proceeds recognized as Government Grant. The FedNor loan required completion of the construction on or before June 30, 2025. On July 14, 2025, the completion of construction required by FedNor was extended to June 30, 2027 and governmental loans repayment commencement date was changed from June 2026 to June 2028.

The Company accounted for the extension of the repayment commencement date as an extinguishment of the original financial liability and recognized a new financial liability for the new extended loans. The extinguishment of original loans and recognition of amended loans resulted in a gain on extinguishment of \$3,311, which has been recognized in Other non-operating loss in the statement of loss and other comprehensive loss. The fair value of the amended loan was estimated using fair market interest rate of 16%.

On June 10, 2024, the Company received \$5,000 in contribution funding from Natural Resources Canada (“NRCan”) to support the development of its proprietary battery materials recycling technology.

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On August 19, 2024, the Company was awarded US\$20,000 by the U.S. Department of Defense (“DoD”). The award was made pursuant to Title III of the Defense Production Act (“DPA”) to expand domestic production capability.

Reimbursement received from DoD as at December 31, 2025 totals \$642 (2024 - \$Nil). Once the conditions of the agreement are met the deferred government grant will be derecognized against the corresponding assets.

On March 21, 2025, the Company was provided with a non-binding letter of intent from the Canadian Federal government in the amount of \$20,000. While the discussions between the parties are ongoing, there is no guarantee or assurance that a final agreement will be reached and/or funding will be provided to the Company.

The following table sets out the balances of Government Loan and Government Grant received at December 31, 2025 and December 31, 2024:

	Government Loan		Government Grant		Total
Balance at January 1, 2024	\$	4,299	\$	849	\$ 5,148
FedNor loan – February 2024		2,267		-	2,267
FedNor Loan – April 2024		2,000		-	2,000
FedNor Loan (Nickel Study) - Payment		(45)		-	(45)
FedNor Loan – August 2024		1,000		-	1,000
Allocation to government grant		(2,275)		2,275	-
Accretion		578		-	578
Balance at December 31, 2024	\$	7,824	\$	3,124	\$ 10,948
FedNor Loan (Nickel Study) - Payment		(27)		-	(27)
Accretion		368		-	368
Extinguishment of government loans		(8,017)		-	(8,017)
Recognition of new government loans due to extension of repayment commencement date		4,706		-	4,706
Accretion		342		-	342
Balance at December 31, 2025	\$	5,196	\$	3,124	\$ 8,320

11. Convertible Note Arrangement and Royalty

On February 13, 2023, the Company completed subscription agreements with certain institutional investors in the United States with respect to \$68,049 (US\$51,000) principal amount of 8.99% senior secured notes due February 2028 (“2028 Notes”). The investors in the offering also received an aggregate of 2,699,014 warrants to purchase common shares (“2028 Warrants”) in the Company. The 2028 Warrants were exercisable for five years at an exercisable price US\$9.92, subject to certain adjustments. The investors also received a royalty of: (i) 0.6% on “Operating Revenue” from the sale of all cobalt produced from the Refinery payable in the first twelve months following a defined threshold of commercial production, where Operating Revenue consists of revenue from the Refinery less certain permitted deductions; and (ii) 0.6% on all revenue from sales of cobalt

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generated from the Refinery in the second to fifth years following the commencement of commercial production. Royalty payments under the royalty agreements were subject to a cumulative cap of US\$6,000.

In January 2024, the terms of the 2028 Warrants were amended and the exercise price of US\$9.92 was re-priced to \$4.00. On November 27, 2024, in conjunction with the issuance of the 2027 Notes discussed below, the exercise price was amended from \$4.00 to \$3.40.

In addition, the 2028 Warrants included a revised acceleration clause such that their term will be reduced to thirty days in the event the closing price of the common shares on the TSXV exceeds \$3.40 by twenty percent or more for ten consecutive trading days, with the reduced term beginning seven calendar days after such 10 consecutive trading-day period. Upon the occurrence of an acceleration event, noteholders of the 2028 Warrants could have exercised the 2028 Warrants on a cashless basis, based on the value of the 2028 Warrants at the time of exercise.

On March 21, 2024, the Company satisfied \$543 (US\$401) of interest through the issuance of 210,760 common shares to certain noteholders

The 2028 Notes were secured by a first priority security interest (subject to customary permitted liens) in substantially all of the Company's assets, and the assets and/or equity of the secured guarantors. The 2028 Notes were subject to customary events of default and basic positive and negative covenants. The Company was required to maintain a reportable minimum liquidity balance of US\$2,000 under the terms of the 2028 Notes. The 2028 Notes were convertible at the discretion of the noteholders and as such were classified as a current liability.

On November 27, 2024, the Company issued additional 2028 Notes to the noteholders, in the principal amount of \$9,157 (US\$6,521), as payment-in-kind for all outstanding accrued interest owing on the 2028 Notes through to August 15, 2024. The additional 2028 Notes carry the same payment conversion terms as the balance of the 2028 Notes and were issued pursuant to a supplement to the indenture dated February 13, 2023, entered into between the Company and the 2028 Notes noteholders.

On November 27, 2024, the Company closed a financing transaction (the "2027 Notes") with the holders of the 2028 Notes for gross proceeds of \$5,615 (US\$4,000). In connection with closing, 460,405 common shares were issued for gross proceeds of \$1,401 at US\$2.172 per share. The 2027 Notes were issued together with 1,136,364 detachable common share purchase warrants ("2027 Warrants") entitling the noteholders to acquire an equivalent number of common shares at a price of \$4.00 per share until November 26, 2026. The 2027 Warrants were issued as replacement for warrants previously issued through an equity financing which took place on August 23, 2023 with an exercise price of \$6.84. The same number of warrants were cancelled and re-issued as part of the 2027 Notes. The 2027 Warrants met the fixed for fixed criteria and were classified as equity. The total proceeds were allocated between convertible notes and warrants using relative fair value on the issuance date. The fair value of the 2027 Warrants on issuance date was estimated using the Black-Scholes Option Pricing Model approach with the following inputs: a risk-free rate of 3.20% per year, an expected life of 2 years, expected volatility based on historical prices of 70.00%, no expected dividends and a share price of \$2.72.

The 2027 Notes rank *pari passu* to the 2028 Notes, bore interest at a rate of 12.0% per annum, payable quarterly in cash, and mature on November 12, 2027. The 2027 Notes were also guaranteed by substantially all of the Company's subsidiaries and were secured on a first lien basis by substantially all of the assets of the

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Company and its subsidiaries. The initial conversion rate of the 2027 Notes was 240,211 common shares per US\$1,000 principal amount of Notes (equivalent to an initial conversion price of approximately US\$2.4978 per common share) subject to certain adjustments set forth in the 2027 Notes. The conversion price was subject to adjustments on the provision of the subscription agreements. The Company was required to maintain a reportable minimum liquidity balance of US\$2,000 under the terms of the 2027 Notes.

On March 5, 2025, the Company entered into an agreement to defer interest relating to all outstanding 2028 Notes and 2027 Notes (collectively referred to as the "Notes") until February 15, 2027. As consideration for this deferral, Electra will pay additional interest of 2.25% per annum on the 2028 Notes and 2.5% per annum on the 2027 Notes, calculated on the principal amounts of the Notes. All deferred interest, including deferred amounts of additional interest, will accrue interest at the applicable stated rate of interest borne by the applicable series of Notes.

On October 22, 2025, the noteholders of 2028 and 2027 Notes and the Company entered into exchange agreements (each, an "Exchange Agreement") and collectively, (the "Exchange Agreements") pursuant to which each of the noteholders exchanged 60% of the aggregate principal amount of the 2028 and 2027 Notes beneficially owned or held by each of the noteholders (the "Equitized Notes"), plus the aggregate amount of all accrued and unpaid interest to but excluding October 9, 2025, for Units at a price of US\$0.75 per Unit (the "Equity Exchange"). The Company issued 55,041,712 New Equity Offering Units which included 55,041,712 New Equity Offering Warrants, 23,306,055 common shares and 31,735,657 Pre-Funded Warrants (as defined below). During the year ended December 31, 2025, 5,330,000 Pre-Funded Warrants were exercised for nominal consideration.

Concurrently with the completion of the Equity Exchange, the Company completed an offering (such offering, the "New Equity Offering") of 46,000,000 units, each consisting of one common share and one warrant to purchase one common share (such warrants, the "New Equity Offering Warrants"), at a price of US\$0.75 per unit (such units, the "New Equity Offering Units"). Each New Equity Offering Warrants entitling the holder thereof to purchase one common share at a price of US\$1.25 for a period commencing on the date that is 60 days following the completion of the offering until October 22, 2028.

In accordance with the Exchange Agreements, noteholders of 2028 and 2027 Notes exchanged 40% of the aggregate principal amount of the 2028 and 2027 Notes (the "Rolled Notes") for (i) an aggregate principal amount of term loans pursuant to the New Term Loan Agreement (the "Term Loan") equal to the sum of (x) the aggregate principal amount of such noteholder's Rolled Notes, (y) the aggregate amount of all accrued and unpaid interest with respect to such Rolled Notes to but excluding the closing date and (z) the aggregate amount of all accrued and unpaid interest on such noteholder's Equitized Notes from and including October 9, 2025 to but excluding the closing date, and (ii) a number of the company's common shares equal to (x) 12.5% of the sum of (1) the aggregate principal amount of such noteholder's Rolled Notes and (2) the aggregate amount of all accrued and unpaid interest on such Rolled Notes to but excluding October 9, 2025 divided by (y) US\$0.90 (the "Debt Exchange"). Based on the amount of Rolled Notes held by the noteholders, a total of 3,822,341 common shares were issued in the Debt Exchange.

To the extent that the exchange of Equitized Notes and Rolled Notes would result in any noteholder beneficially owning common shares in excess 9.9% of the number of common shares outstanding immediately after giving effect of the transactions detailed above, such holder shall receive one or more pre-funded warrants (the "Pre-Funded Warrants"). The aggregate exercise price of the Pre-Funded Warrant, except for a nominal exercise price of US\$0.000001 per share, was pre-funded to the Company and, consequently, no

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additional consideration (other than the nominal exercise price of US\$0.000001 per share) shall be required to be paid by the holder to affect any exercise of the Pre-Funded Warrants. The Pre-Funded Warrants can be exercised from the issuance date until these Pre-Funded Warrants are exercised in full. The Pre-Funded Warrants may also be exercised, in whole or in part, at such time by means of "cashless exercise", and accordingly, were classified as a financial liability on the consolidated statements of financial position and measured at FVTPL. The fair value of the Pre-Funded Warrants was based on the Company's share price as at the corresponding valuation date.

Concurrently with the completion of the Equity Exchange and the Debt Exchange, the previous warrants issued to the noteholders of the 2028 Notes and 2027 Notes were cancelled. Additionally, the Company entered into amended royalty agreements with the noteholders amending the royalty agreements thereby (i) extending the terms the royalty payable on revenues from five years following the commencement of commercial production to seven years following the commencement of commercial production and (ii) raising the aggregate cap from US\$6,000 to US\$10,000.

The Company accounted for the Equity Exchange and the Debt Exchange as an extinguishment of the 2028 Notes and 2027 Notes

The New Equity Offering Warrants issued in Equity Exchange did not meet the fixed for fixed criteria as their exercise price is denominated in a currency different than the Company's functional currency and were classified as a financial liability on the consolidated statements of financial position and measured at FVTPL. The New Equity Offering Warrants were measured at \$79,562 and \$28,410 on the Extinguishment Date and December 31, 2025, respectively, using Black-Scholes option pricing model with the following main assumptions: share price \$2.31 and \$1.11, volatility 87.0% and 90.0%, risk free rate 2.39% and 2.81% on the Extinguishment Date and December 31, 2025, respectively.

The Pre-Funded Warrants did not meet the fixed for fixed criteria due to a cashless exercise option and were classified as a financial liability on the consolidated statements of financial position and measured at FVTPL. The fair value of the Pre-Funded Warrants is the same as the Company's share price as at the corresponding valuation date. The Pre-Funded Warrants were measured at \$73,309 and \$29,309 on the Extinguishment Date and December 31, 2025, respectively.

The Term Loan was measured at fair value on the Extinguishment Date and subsequently classified and measured at amortized cost, Note 13. The fair value of the Term Loan on the Extinguishment date was estimated at \$37,258 using the valuation model and 12.8% fair market interest rate.

The 2028 Notes and 2027 Notes were measured at fair value on the Extinguishment date using the finite difference valuation method with the following key assumptions:

- Risk free rate at October 22, 2025 of 3.509% (December 31, 2024 – 4.393%) based on the US dollar zero curve;
- Equity volatility at October 22, 2025 of 105% (December 31, 2024 – 63%) based on an assessment of the Company's historical volatility and the estimated maximum a third-party investor would be willing to pay for;
- An Electra share price at October 22, 2025 of US\$1.66 (December 31, 2024 - US\$1.807) reflecting the quoted market price; and
- A credit spread at October 22, 2025 of 27.4% (December 31, 2024 – 26.3%).

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The following table sets out the details of the Company's 2028 Notes and 2027 Notes as of the Extinguishment date and December 31, 2024:

2028 and 2027 Notes	Convertible Notes Payable
Balance at January 1, 2024	\$ 40,101
Initial recognition at fair value	4,921
Revaluation to fair value	4,356
Capitalized interest	9,157
Revaluation to fair value due to own credit risk	1,342
Foreign exchange loss	4,086
Balance at December 31, 2024	\$ 63,963
Revaluation to fair value	12,118
Revaluation to fair value due to own credit risk	(1,293)
Foreign exchange loss	(1,741)
Balance at October 22, 2025	73,047
Accrued Interest settled under Equity Exchange and Debt Exchange	11,565
Fair value of common shares issued under Equity Exchange and Debt Exchange	(62,666)
New Equity Offering Warrants	(79,562)
Term Loan	(37,258)
Pre-funded Warrants	(73,309)
Loss on extinguishment of 2028 and 2027 Notes	(168,183)

The loss on extinguishment amounting to \$168,183 was presented as loss on extinguishment of 2028 and 2027 Notes, in the consolidated statement of loss and other comprehensive loss.

To support operations during the restructuring process, the noteholders provided \$2,784 (US\$2,000) in short-term bridge debt in the form of a 90-day Bridge loan with an annual interest rate of 12.0%. On October 22, 2025, the Company repaid the Bridge Loan for an aggregate of \$2,856, inclusive of interest.

12. Royalty

On October 22, 2025, the Company entered into amended and restated royalty agreements resulting in an extinguishment of previous royalty liability. The fair value of the amended Royalty was estimated at October 22, 2025 using a discounted cash flow model. The key inputs included the market interest rate of 11.125% and cash flows estimates of future operating and gross revenues. The loss on extinguishment amounting to \$1,023 was included in other non-operating income (expense) in the consolidated statement of loss and other comprehensive loss.

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	December 31, 2025	December 31, 2024
Balance at January 1,	\$ 1,283	\$ 858
Foreign exchange	(37)	95
Accretion	58	330
Extinguishment of royalty	(1,304)	-
Foreign exchange	(37)	-
Recognition of new royalty due to amendment	2,327	-
Accretion	48	-
Balance at December 31	\$ 2,338	\$ 1,283

13. Term Loan

The Term Loan issued in Debt Exchange (Note 11) has a principal amount of \$38,902 (US\$27,795) and matures on October 22, 2028.

The Term Loan bears interest on the unpaid principal amount at 8.99% per annum if paid by cash with payment every quarter.

The Company may elect to have, with respect to interest accrued on and to each interest payment date, all interest on the Term Loan being added to the outstanding principal amount of the Term Loan at a rate equal to 11.125% per annum (such capitalized interest, "PIK Interest"). All such PIK Interest shall thereafter constitute principal and bear interest on the terms of the Term Loan. The Term Loan is secured by a first priority security interest (subject to customary permitted liens) in substantially all of the Company's assets.

The Term Loan is subject to customary events of default and basic positive and negative covenants. The Company is required to maintain a minimum liquidity balance of US\$15,000 until it secures signed, binding commitments from the Government of Canada and from the Government of Ontario, after which the requirement is US\$2,000. The Term Loan was measured at fair value on the Extinguishment Date and was subsequently classified and measured at amortized cost (Note 13). The fair value of the Term Loan on the Extinguishment date was estimated at \$37,258 based on the finite difference valuation model, which included 12.8% market interest rate.

The Term Loan is accreted through the term of the Term Loan using effective interest rate of 12.8%. During the year ended December 31, 2025, the Company recorded \$824 of interest and \$86 accretion expenses (December 31, 2024- \$Nil).

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14. US Warrants

2026 Warrants

On April 3 and April 14, 2025, the Company issued 3,125,000 ("2026 Warrants") to subscribers in a non-brokered private placement (Note 16). The warrant exercise price is denominated in US dollars, a currency different than the Company's functional currency. Therefore, the warrants were classified as a financial liability in the consolidated statements of financial position. The fair value of the warrants was estimated using the Black Scholes Option Pricing Model using the following main inputs: volatility of 85% on issuance date, 61.79% - 121.59% on exercise dates, and 125.0% - 127.6% on December 31, 2025, share price of \$1.38 - \$1.50 on issuance date, \$1.37 - \$6.55 on exercise dates, and \$1.11 on December 31, 2025 and risk free rate of 2.40% - 2.58% on issuance date, 2.38% - 2.48% on exercise date, and 2.55% December 31, 2025 respectively.

The table below presents changes in 2026 Warrants during the year ended December 31, 2025:

	Number of warrants	Fair value \$
Balance at December 31, 2024	-	-
Issued	3,125,000	1,150
Changes in fair value	-	8,112
Exercised	(2,481,786)	(9,066)
Balance at December 31, 2025	643,214	\$196

The changes in fair value amounting to \$8,112 was included in changes in fair value of US warrants in the consolidated statement of loss and other comprehensive loss.

Pre-Funded Warrants

The table below presents changes in Pre-Funded Warrants during the year ended December 31, 2025:

	Number of warrants	Fair value \$
Balance at December 31, 2024	-	-
Issued	31,735,657	73,309
Changes in fair value	-	(36,698)
Exercised	(5,330,000)	(7,302)
Balance at December 31, 2025	26,405,657	\$29,309

The changes in fair value amounting to \$(36,698) was included in changes in fair value of US warrants in the consolidated statement of loss and other comprehensive loss.

New Equity Offering Warrants

The table below presents changes in New Equity Offering Warrants during the year ended December 31, 2025:

	Number of warrants	Fair value \$
Balance at December 31, 2024	-	-
Issued in Equity Exchange	55,041,712	79,562
Issued in New Equity Offering	46,000,000	18,597
Change in fair value	-	(46,006)
Balance at December 31, 2025	101,041,712	\$52,153

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The changes in fair value amounting to \$(46,006) was included in changes in fair value of US warrants in the consolidated statement of loss and other comprehensive loss.

2028 Warrants

The table below presents changes in 2028 Warrants during the year ended December 31, 2025:

On October 22, 2025, the Company cancelled the previously issued 2028 Warrants as part of the Exchange Agreement transaction.

	Number of warrants	Fair value \$
Balance at December 31, 2024	2,699,014	1,582
Changes in fair value	-	182
Cancelled	(2,699,014)	(1,764)
Balance at December 31, 2025	-	-

The changes in fair value amounting to \$182 was included in changes in fair value of US warrants in the consolidated statement of loss and other comprehensive loss.

15. Lease liabilities

	December 31, 2025	December 31, 2024
Balance at January 1	\$ 132	\$ 175
Lease interest	9	13
Lease repayment	(59)	(55)
Balance at December 31	\$ 82	\$ 133
Less – Current portion	(55)	(50)
Balance at December 31 – Long-term portion	\$ 27	\$ 83

16. Shareholder's Equity

a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value. As at December 31, 2025, the Company had 98,982,239 (December 31, 2024 – 14,809,197) common shares outstanding.

b) Issued Share Capital

During the year ended December 31, 2025, the Company issued common shares as follows:

- The Company exercised 5,330,000 Pre-Funded Warrants for a nominal exercise price (Note 11). The exercised Pre-Funded Warrants were measured at \$7,302 on the exercise date which was recognized in share capital in the consolidated statements of shareholders' equity.
- The Company exercised 2,481,786 2026 Warrants for total proceeds of \$4,894. The exercised 2026 Warrants were measured at \$9,066 on the exercise date which was recognized in share capital in the consolidated statements of shareholders' equity.

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- The Company exercised 65,544 broker warrants for total proceeds of \$103. The exercised 2026 Warrants were measured at \$42 on the exercise date which was recognized in share capital in the consolidated statements of shareholders' equity.
- The Company issued 26,975 and 15,340 common shares for the exercise of restricted shares and stock options for total proceeds of \$39.

On April 14, 2025, the Company closed the first (occurring on April 3, 2025) and second tranches of its non-brokered private placement, raising aggregate gross proceeds of US\$3,500 (\$4,908). An aggregate of 3,125,000 units (each, a "Unit") were issued at a price of US\$1.12 per Unit under the private placement. Each Unit consists of one common share in the capital of the Company and one transferable common share purchase warrant ("2026 Warrants"), with each warrant entitling the holder to purchase one common share of the Company at a price of US\$1.40 at any time for a period of eighteen (18) months following the issue date. In connection with the closing of the Offering, the Company incurred aggregate finders' fees of \$338, including \$109 representing the value of 183,333 non-transferable finders' warrants. Each finders' warrant is exercisable to acquire one common share of the Company at an exercise price of US\$1.12 until October 14, 2026. Finders' warrants were measured at \$109 using the Black-Scholes option pricing model with the following main assumptions: share price \$1.50, volatility 85.0%, risk free rate 2.58%.

The gross proceeds were allocated between common shares and 2026 Warrants, based on relative fair values and 2026 Warrants were allocated \$1,150 on initial recognition. The residual balance of \$3,759 was then allocated to the equity component (common shares issued). The transaction costs of \$447 were allocated proportionately between the 2026 Warrants and the common shares. Transaction costs allocated to the common shares were accounted for as a deduction from equity of \$338.

- Concurrently with the completion of the Equity Exchange, the Company completed New Equity Offering of 46,000,000 New Equity Offering Units, each consisting of one common share and one New Equity Offering Warrants to purchase one common share at a price of US\$0.75 per New Equity Offering Unit. Each New Equity Offering Warrants or the 2028 Warrants entitling the holder thereof to purchase one common share at a price of US\$1.25 for a period commencing on the date that is 60 days following the completion of the offering until October 22, 2028, Note 11.

The Company incurred an aggregate cash commission of US\$1,851 to the agents of the New Equity Offering. The Company also issued an aggregate of 2,416,884 non-transferable warrants to purchase common shares to the agents (the "Broker Warrants"). Each Broker Warrant entitles the holder to acquire one Common Share at US\$0.75 per share, at any time on or before the date that is 36 months following the closing date of the New Equity Offering. Broker warrants were measured at \$4,604 using the Black-Scholes option pricing model with the following main assumptions: share price \$2.31, volatility 124.31%, risk free rate 2.39%.

The gross proceeds were allocated between common shares and New Equity Offering Warrants, based on relative fair values and New Equity Offering Warrants were allocated \$18,597 on initial recognition. The residual balance of \$29,720 was then allocated to the equity component (common shares issued). The transaction costs of \$8,240 were allocated proportionately between the New Equity Offering Warrants and common shares. Transaction costs allocated to the equity component were accounted for as a deduction from equity of \$5,078.

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During the year ended December 31, 2024, the Company issued common shares as follows:

- On February 27, 2024, the Company settled a total of \$134 of earned performance-based incentive cash payments to certain non-officer employees by issuing a total of 41,314 common shares at a market price of \$3.24 per share to these individuals. The expense was recorded in salaries and benefits.
- On March 21, 2024, the Company issued an aggregate of 210,760 common shares at a market issue price of \$2.5756 per common share in satisfaction of a portion of the interest payable to certain of the holders of US\$51,000 principal amount of 8.99% senior secured convertible notes.
- On November 27, 2024, the Company closed a financing transaction with the holders of the 2027 Notes for gross proceeds of US\$5,000 and issued 443,225 common shares and 1,136,364 detachable common share purchase warrants, valued at \$1,221 (net of transaction costs of \$180 and \$694 (net of transaction costs of \$89), respectively (see Note 11).
- During the year ended December 31, 2024, the Company issued 18,568 common shares for the exercise of deferred share units, 130,414 common shares for the exercise of restricted share units and 2,083 for the exercise of performance share units.

17. Share Based Payments

The Company adopted a long-term incentive plan (“LTIP”) on December 20, 2024, whereby it can grant stock options, restricted share units (“RSUs”), Deferred Share Units (“DSUs”), and Performance Share Units (“PSUs”) to directors, officers, employees, and consultants of the Company. The maximum number of shares that may be reserved for issuance under the LTIP is 3,150,000.

In 2024, the Company was approved to implement an employee share purchase plan (“ESPP”) to provide its employees an incentive to promote performance and growth potential over the long-term. The Company has reserved 250,000 common shares that can be issued under the ESPP.

The grant date fair value is determined using the Black-Scholes Option Pricing Model and this value is recognized as an expense over the vesting period. DSUs generally vest in one year but cannot be exercised until the holder ceases to be a Director or Officer of Electra. DSUs are valued based on the market price of the Company’s common shares on the grant date. PSUs generally vest over 18 – 24 months if certain performance metrics have been achieved. They are valued based on the market price of the Company’s shares on the grant date and this value is expensed over the vesting period. RSUs generally vest over 12 – 36 months. They are valued based on the market price of the Company’s shares on the grant date and this value is expensed over the vesting period.

a) Stock Options

During the year ended December 31, 2025:

- On October 29, 2025, upon approval by shareholders at the annual general meeting on June 24, 2025, Electra issued 2,669,000 incentive stock options, 179,000 RSUs, and 271,000 DSUs to certain directors, officers, employees, and contractors. The stock options are exercisable for three years at

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\$1.97 and will vest in two equal tranches, on the first and second anniversary of the grant date. The fair value of the options at the date of the grant was \$3,835 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 2.36% per year, an expected life of 3 years, expected volatility based on historical prices of 125%, no expected dividends and a share price of \$1.97.

- The RSUs will vest in two equal tranches on the first and second anniversaries of the grant date and may be settled in cash or shares at the discretion of the Company. The DSUs will be settled in shares when the holder ceases to serve as a director.
- During the year ended December 31, 2025, 15,340 stock options were exercised for total proceeds of \$39.
- On January 1, 2025, the Company granted 125,000 stock options at an exercise price of \$2.60 that will vest in two equal tranches on the first and second anniversaries of the grant date. The fair value of the options at the date of the grant was \$190 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 2.87% per year, an expected life of 3 years, expected volatility based on historical prices in the range of 90.0%, no expected dividends and a share price of \$2.60.

During the year ended December 31, 2024:

- On January 15, 2024, the Company granted 25,000 stock options at an exercise price of \$2.00 that will vest in three equal tranches on the first, second and third anniversaries of the grant date. The fair value of the options at the date of the grant was \$29 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 4.15% per year, an expected life of 3 years, expected volatility based on historical prices of 87%, no expected dividends and a share price of \$2.00.
- On February 12, 2024, the Company granted 753,923 incentive stock options and 26,235 RSUs to certain directors, officers, employees and contractors of the Company. The RSUs will vest on the first anniversary of the grant date and will be settled in cash or common shares at the discretion of the Company. The stock options are exercisable for four years at \$3.24 and will vest in two equal tranches, on the first and second anniversary of the grant date. The fair value of the options at the date of the grant was \$1,377 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 4.15% per year, an expected life of 4 years, expected volatility based on historical prices of 85%, no expected dividends and a share price of \$3.24.
- On August 28, 2024, the Company granted 250,000 incentive stock options to consultants for services to be rendered. The stock options are exercisable for three years at \$3.28 and will vest in four equal quarterly tranches. The fair value of the options at the date of the grant was \$418 using the Black-Scholes Option Pricing Model, assuming a risk-free rate of 3.31% per year, an expected life of 2 years, expected volatility based on historical prices of 94%, no expected dividends and a share price of \$3.28.

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- On September 9, 2024, the Company granted 33,891 DSUs to certain directors of the Company. The DSUs will vest on the first anniversary of the grant date and will be settled in cash or common shares at the discretion of the Company.

The changes in incentive stock options outstanding are summarized as follows:

	Exercise price	Number of shares issued or issuable on exercise
Balance at January 1, 2024	\$ 14.00	193,142
Granted	3.22	1,028,923
Expired	10.02	(34,953)
Forfeited / Cancelled	12.91	(16,749)
Balance at December 31, 2024	\$ 4.61	1,170,363
Granted	2.00	2,794,000
Expired	12.94	(21,297)
Exercised (Share price at \$2.31)	2.57	(15,340)
Forfeited / Cancelled	1.97	(16,000)
Balance at December 31, 2025	\$ 2.72	3,911,726

Incentive stock options outstanding and exercisable (vested) at December 31, 2025 are summarized as follows:

Exercise price	Options Outstanding			Options Exercisable	
	Number of shares issuable on exercise	Weighted average remaining life (Years)	Weighted average exercise price	Number of shares issuable on exercise	Weighted average exercise price
\$ 1.97	2,653,000	2.83	\$ 1.97	-	\$ 1.97
2.00	16,667	2.04	2.00	-	2.00
2.60	125,000	2.00	2.60	-	2.60
3.24	746,916	2.12	3.24	369,955	3.24
3.28	250,000	1.66	3.28	250,000	3.28
9.60	56,423	1.19	9.60	37,616	9.60
12.84	15,000	1.86	12.84	15,000	12.84
21.60	41,428	1.05	21.60	41,428	21.60
24.84	7,292	0.29	24.84	7,292	24.84
Total	3,911,726	2.52	\$ 2.72	721,291	\$ 5.06

During the year ended December 31, 2025, the Company expensed \$1,412 (the year ended December 31, 2024 - \$1,212 and for the year ended December 31, 2023 - \$513) for options valued at share prices \$1.94 to \$24.84 as shared-based payment expense.

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Incentive stock options outstanding and exercisable (vested) at December 31, 2024 are summarized as follows:

Exercise price	Options Outstanding			Options Exercisable		
	Number of shares issuable on exercise	Weighted average remaining life (Years)	Weighted average exercise price	Number of shares issuable on exercise	Weighted average exercise price	
\$ 2.00	25,000	3.04	\$ 2.00	-	\$ 2.00	
3.24	753,923	3.12	3.24	-	3.24	
3.28	250,000	2.66	3.28	62,500	3.28	
9.60	56,425	2.19	9.60	18,808	9.60	
10.08	10,185	0.52	10.08	10,185	10.08	
10.44	6,944	0.66	10.44	6,944	10.44	
12.84	15,000	2.87	12.84	10,000	12.84	
21.60	44,205	2.05	21.60	29,470	21.60	
24.84	7,292	1.29	24.84	7,292	24.84	
29.16	1,389	0.13	29.16	1,389	29.16	
Total	1,170,363	2.88	\$ 4.61	146,588	\$ 10.56	

During the year ended December 31, 2024, the Company expensed \$1,212 (the year ended December 31, 2023 - \$513) for options valued at share prices \$2.00 to \$24.84, as share-based payment expense.

(b) DSUs, RSUs and PSUs

During the year ended December 31, 2025, the Company has expensed \$254 (the year ended December 31, 2024 - \$218 and for the year ended December 31, 2023 - \$586) for DSUs, \$ Nil (the year ended December 31, 2024 - \$Nil and for the year ended December 31, 2023 - \$79) for PSUs, and \$41 (the year ended December 31, 2024 - \$338 and for the year ended December 31, 2023 - \$641) for RSUs as shared-based payment expense.

Deferred Shares Units

The Company's DSUs outstanding at December 31, 2025 and December 31, 2024 were as follows:

Number of Units	December 31, 2025	December 31, 2024
Balance at January 1,	157,085	154,041
Granted	271,000	33,891
Exercised	-	(18,568)
Expired	-	(12,279)
Balance	428,085	157,085

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Restricted Share Units

The Company's RSUs outstanding at December 31, 2025 and December 31, 2024 were as follows:

Number of Units	December 31, 2025	December 31, 2024
Balance at January 1,	26,975	133,288
Granted	179,000	26,235
Exercised	(26,975)	(130,414)
Forfeited / Cancelled	-	(2,134)
Balance	179,000	26,975

Performance Share Units

The Company's PSUs outstanding at December 31, 2025 and December 31, 2024 were as follows:

Number of Units	December 31, 2025	December 31, 2024
Balance at January 1,	-	8,507
Exercised	-	(2,083)
Expired / Cancelled	-	(6,424)
Balance	-	-

18. Income Tax

Income tax reconciliation

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended December 31, 2025, 2024 and 2023:

	December 31, 2025	December 31, 2024	December 31, 2023
(Loss) income before income taxes	\$ (133,465)	\$ (29,447)	\$ (64,666)
Statutory tax rate	26.5%	26.5%	26.5%
Expected expense (recovery) at statutory rate	(35,368)	(7,804)	(17,136)
Tax rate difference	(1)	(3)	(1)
Share based compensation	328	461	-
Permanent differences	(79)	918	107
Fair value adjustment of USD Warrants	(19,767)	-	-
Net change in benefits previously not recognized	12,713	8,815	17,699
Share issuance costs	(1,412)	(48)	(515)
Book to filing adjustments	1,970	227	(170)
Other comprehensive income (loss)	341	(355)	-
Loss on debt restructuring not recognized	41,468	-	-
Foreign exchange	(199)	(2,385)	-
Other	6	174	16
Income tax expense (recovery)	\$ -	\$ -	\$ -

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The significant components of the Company's deferred income tax assets (liabilities) are as follows:

	December 31, 2025	December 31, 2024
<i>Deferred tax liabilities:</i>		
Government loan and grant	\$ (543)	-
Convertible notes payable	\$ -	\$ (4,619)
	\$ (543)	\$ (4,619)
<i>Deferred tax assets:</i>		
Non-capital loss	\$ 543	\$ 4,619
	543	\$ 4,619
Deferred income tax assets / (liabilities)	\$ -	\$ -

Deferred taxes are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized. The group has unrecognized tax attributes, notes below, that are available to offset against future taxable income. However, as these tax attributes related to entities that have a history of losses, these deductible temporary differences are not recognized and are as follows:

	December 31, 2025	December 31, 2024
Non-capital loss carry-forwards	\$ 103,660	\$ 75,830
Exploration and evaluation properties	19,796	21,459
Property, Plant and Equipment	39,379	43,299
Capital loss carry forward	31,271	27,994
Other	35,911	14,253
Total unrecognized temporary differences	\$ 230,017	\$ 182,835

The capital loss of \$31,271 (December 31, 2024 - \$27,994) can be carried forward indefinitely and can only be realized against future capital gains.

The Company has the following unrecognized non-capital loss carryforwards of approximately \$99,275 (December 31, 2024 – \$72,286) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year	December 31, 2025	December 31, 2024
2036	\$ 3,231	\$ -
2037	1,172	33
2038	7,457	384
2039	1,457	1,532
2040	7,150	3,621
2041	14,863	15,094
2042	15,189	15,554
2043	22,889	23,513
2044	9,875	12,555
2045	15,992	-
Total	\$ 99,275	\$ 72,286

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The Company also has non-capital loss carryforwards of \$650 and \$3,735 to apply against future year income tax in Australia and the United States, respectively. The majority of these carry forward losses do not expire.

19. Other Non-Operating Income (Expense)

The Company's Other Non-Operating Income (Expense) comprises the following for the years ended December 31, 2025, 2024 and 2023:

	For the years ended December 31		
	2025	2024	2023
Foreign exchange gain (loss)	\$ 1,159	\$ (4,338)	\$ 1,485
Interest expense	(10,731)	(7,274)	(8,147)
Realized gain on marketable securities	1	306	90
Transaction costs	(5,232)	-	-
Gain on extinguishment governmental loans (Note 10)	3,311	-	-
Loss on extinguishment of royalty (Note 12)	(1,023)	-	-
Other non-operating income (expense)	190	298	100
	\$ (12,325)	\$ (11,008)	\$ (6,472)

20. Loss Per Share

The following table sets forth the computation of basic and diluted loss per share for the years ended December 31, 2025, 2024 and 2023:

	For the years ended December 31,		
	2025	2024	2023
Numerator			
Net loss for the period – basic and diluted	\$ (133,465)	\$ (29,447)	\$ (64,666)
Gain on financial derivative liability	-	-	(6,683)
Net loss for the year ended – diluted			(71,349)
Denominator			
Basic and Diluted – weighted average number of shares outstanding	32,104,582	14,256,263	10,857,737
Loss Per Share – Basic	\$ (4.16)	\$ (2.07)	\$ (5.96)
Loss Per Share – Diluted	\$ (4.16)	\$ (2.07)	\$ (5.96)

Conversion option, share purchase warrants and stock options were excluded from the calculation of diluted weighted average number of common shares outstanding for the years ended December 31, 2025, 2024 and 2023 as the warrants and stock options were anti-dilutive.

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21. Financial Instruments

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Per Note 1, the Company does not have sufficient financial resources necessary to complete the construction and final commissioning of the Refinery and the Company is going through a planning and budgeting process to update the capital estimates and completion schedule associated with the Refinery. The Company attempts to ensure there is sufficient access to funds to meet ongoing business requirements, considering its current cash position and potential funding sources.

The following are the contractual maturities of financial liabilities as at December 31, 2025, and December 31, 2024:

	As at December 31, 2025		
	< 1 Year	Between 1 – 2 Years	>2 Years
Accounts payable and accrued liabilities	\$ 5,817	\$ -	\$ -
Long-term government loan payable	36	36	5,125
Term loan	-	-	38,920
Lease payable	128	43	-
Short-term deferred government grant	642	-	-
Total	\$ 6,623	\$ 79	\$ 44,045

	As at December 31, 2024		
	< 1 Year	Between 1 – 2 Years	>2 Years
Accounts payable and accrued liabilities	\$ 3,579	\$ -	\$ -
Long-term government loan payable	36	1,615	8,519
Convertible notes payable ¹	8,057	8,012	99,071
Lease payable	125	128	43
Total	\$ 11,797	\$ 9,755	\$ 107,633

¹ Amounts are based on contractual maturities of 2028 Notes and assumption that it would remain outstanding until maturity. Per Note 11, 2026 Notes were cancelled and replaced with 2028 Notes on February 13, 2023.

For 2024 the Company assumed the notes will remain outstanding until maturity. If noteholders convert prior to maturity, they would be entitled to a make-whole interest payment upon conversion. This payment cannot exceed the remaining coupon payments owing and thus the tables above present all interest payments to maturity, which represents the maximum possible cash outflow to the Company.

Fair Value

The Company's financial instruments consisted of cash and cash equivalents, restricted cash, receivables, marketable securities, convertible notes payable, long-term government loan payable, warrants liability, and accounts payable and accrued liabilities. The fair values of cash and cash equivalents, restricted cash, and deposits, receivables and accounts payable and accrued liability approximate their carrying values because of their current nature. The fair value of long-term government loan payables are estimated as \$5,196 (December 31, 2024 - \$7,824) utilizing a discounted cash flow calculation based on cash interest and principal payments

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and an interest rate of 16.0% (December 31, 2024 – ranging from 7.0% to 17.1%) which would be expected to be achieved on a standard debt arrangement.

The contractual liabilities relating to government loan payable assumes that repayment began on June 30, 2028 in 19 equal instalments

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents and restricted cash which are being held in with major Canadian banks that are high credit quality financial institutions as determined by rating agencies.

The Company's receivables primarily consist of HST refund due from Canada Revenue Agency and reimbursement to be received from NRCan and DoD, hence there is no significant credit risk on receivables.

As at December 31, 2025, the Company's maximum exposure to credit was the carrying value of cash and cash equivalents, restricted cash, and receivables.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, prepayments, accounts payable and accrued liabilities, derivative financial liabilities on warrants and its long-term debts that are denominated in US Dollars. The Company has not used derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

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The following table indicates the foreign currency exchange risk on monetary financial instruments as at December 2025 and 2024 converted to Canadian Dollars:

	As at December 31, 2025	
		USD denominated expressed in CAD
Cash and cash equivalents	\$	25,019
Accounts payable and accrued liabilities		(641)
Term loan		(38,168)
Royalty		(2,338)
Total	\$	(16,128)

	As at December 31, 2024	
		USD denominated expressed in CAD
Cash and cash equivalents	\$	3,391
Accounts payable and accrued liabilities		(478)
Interest accrual		(2,799)
Long-term convertible notes payable		(63,963)
Royalty		(1,283)
Total	\$	(65,132)

During the year ended December 31, 2025, the Company recognized a gain of \$1,159 (December 31, 2024 – loss of \$4,338) on foreign exchange. Based on the above exposures as at December 31, 2025, a 10% depreciation or appreciation of the US Dollar against the Canadian Dollar would result in a \$1,232 decrease or increase in the Company's net income before tax (December 31, 2023 - \$6,149).

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. Company currently does not have any financial instruments that are linked to LIBOR, SOFR, or any form of a floating market interest rate. Therefore, changes in the market interest rate does not have an impact on the Company as at December 31, 2025.

22. Management of Capital

The Company's objectives when managing capital are to ensure it has sufficient cash available to support its future Refinery expansion and exploration activities; and ensure compliance with debt covenants under the convertible notes arrangement.

The Company manages its capital structure, consisting of cash and cash equivalents, share capital and debt (convertible notes and loans), and will make adjustments depending on the funds available to the Company for its future Refinery expansion and exploration activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable. Other than the minimum liquidity balance covenant under the convertible note arrangement, the Company is not subject to externally imposed capital requirements. The convertible notes arrangement does not impose any quantitative ratio covenants on the Company in the course of the normal construction and operation of its current assets.

23. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices in markets that are not active or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

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Assets and Liabilities Measured at Fair Value

The Company's fair values of financial assets and liabilities were as follows:

December 31, 2025	Classification					Total Fair Value
	Fair value through profit or loss	Amortized cost	Level 1	Level 3		
<i>Assets:</i>						
Cash and cash equivalents	\$ -	\$ 39,024	\$ -	\$ -		\$ 39,024
Restricted cash	-	1,208	-	-		1,208
Receivables	-	666	-	-		666
	\$ -	\$ 40,898	\$ -	\$ -		\$ 40,898
<i>Liabilities:</i>						
Accounts payable and accrued liabilities	\$ -	\$ 5,817	\$ -	\$ -		\$ 5,817
Short-term deferred government grant	-	642	-	-		642
Long-term government loan payable	-	5,196	-	-		5,196
Term loan	-	38,168	-	-		38,168
US Warrants	81,658	-	-	81,658		81,658
Royalty	-	2,338	-	-		2,338
	\$ 81,658	\$ 52,161	\$ -	\$ 81,658		\$ 133,819

December 31, 2024	Classification					Total Fair Value
	Fair value through profit or loss	Amortized cost	Level 1	Level 3		
<i>Assets:</i>						
Cash and cash equivalents	\$ -	\$ 3,717	\$ -	\$ -		\$ 3,717
Restricted cash	-	1,208	-	-		1,208
Receivables	-	1,310	-	-		1,310
Marketable securities	12	-	12	-		12
	\$ 12	\$ 6,235	\$ 12	\$ -		\$ 6,247
<i>Liabilities:</i>						
Accounts payable and accrued liabilities	\$ -	\$ 3,579	\$ -	\$ -		\$ 3,579
Accrued interest	-	2,799	-	-		2,799
Long-term government loan payable	-	7,824	-	-		7,824
Convertible Notes payable ¹	63,963	-	-	63,963		63,963
Warrants - Convertible Notes payable ¹	1,582	-	-	1,582		1,582
Royalty	-	1,283	-	-		1,283
	\$ 65,545	\$ 15,485	\$ -	\$ 65,545		\$ 81,030

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Valuation techniques

A) Royalty

The fair value of the Royalty has been estimated at inception using a discounted cash flow model. The key inputs in the valuation include the effective interest rate of 11.125% and cash flows estimates of future operating and gross revenues. As there are significant unobservable inputs used in the valuation, the Royalty is included in Level 3. A 3% increase or decrease in the effective interest rate would be an increase of \$1,862 (December 31, 2024 - \$250) or a decrease of \$928 (December 31, 2024 - \$213) to the fair value of the royalty.

B) Other Financial Derivative Liability (2026, Warrants, 2028 Warrants and New Offering Warrants)

The Company uses the Black-Scholes Option Pricing Model. The key inputs in the valuation include risk-free rates and equity volatility. As there are significant unobservable inputs used in the valuation, the financial derivative liability is included in Level 3.

The Company used an equity volatility of 127% for the 2026 Warrants. If the Company used an equity volatility that was higher or lower by 10%, the potential effect would be an increase of \$25 or a decrease of \$25 to the fair value of the embedded derivative.

The Company used an equity volatility of 90% for the 2028 Warrants (New Equity Offering Warrants). If the Company used an equity volatility that was higher or lower by 10%, the potential effect would be an increase of \$2,910 or a decrease of \$3,079 to the fair value of the embedded derivative.

The Company used an equity volatility of 90% for the Restructuring Warrants. If the Company used an equity volatility that was higher or lower by 10%, the potential effect would be an increase of \$3,481 or a decrease of \$3,584 to the fair value of the embedded derivative.

24. Commitments and Contingencies

From time to time, the Company and/or its subsidiaries may become defendants in legal actions and the Company intends to defend itself vigorously against all legal claims. Electra is not aware of any unrecorded claims against the Company that could reasonably be expected to have a materially adverse impact on the Company's consolidated financial position, results of operations or the ability to carry on any of its business activities.

As at December 31, 2025, the Company's commitments relate to purchase and services commitments for work programs relating to Refinery expansion and payments under financing arrangements. The Company had the following commitments as at December 31, 2025.

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	2026	2027	2028	2029	Thereafter	Total
Purchase commitments	\$ 7,572	\$ -	\$ -	\$ -	\$ -	\$ 7,572
Term loan	-	-	50,822	-	-	50,822
Government loan payments	36	36	1,615	2,141	6,342	10,170
Lease payments	128	43	-	-	-	171
Royalty payments ¹	-	-	229	529	3,681	4,439
	\$ 7,736	\$ 79	\$ 52,666	\$ 2,670	\$ 10,023	\$ 73,174

¹ Royalty payments are estimated amounts associated with the royalty agreements entered with the debt holders as part of the term loan. The estimated amounts and timing are subject to changes in cobalt sulfate prices, timing of completion of the refinery, reaching commercial operations and timing and amounts of sales.

25. Segmented Information

The Company's Chief Operating Decision Maker ("CODM") is its Chief Executive Officer. The CODM reviews the results of Company's refinery business and exploration and evaluation activities as discrete business units, separate from the rest of the Company's activities which are reviewed on an aggregate basis.

The Company's exploration and evaluation activities are located in Idaho, USA, with its head office function in Canada. All of the Company's capital assets, including property and equipment, and exploration and evaluation assets are located in Canada and USA, respectively.

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(a) Segmented operating results for the year ended December 31, 2025 and 2024:

For the year ended December 31, 2025	Refinery	Exploration and Evaluation	Corporate and Other	Total
Operating expenses				
Consulting and professional fees	\$ 632	\$ 28	\$ 4,443	\$ 5,103
Exploration and evaluation expenditures	-	255	-	255
General and administrative	1,329	19	1,723	3,071
Investor relations and marketing	-	-	622	622
Salaries and benefits	1,911	-	4,602	6,513
Share-based payments	-	-	1,453	1,453
Operating loss	\$ 3,872	\$ 302	\$ 12,843	\$ 17,017
Unrealized gain on marketable securities	-	-	4	4
Loss on financial derivative liability - Convertible Notes	-	-	(10,354)	(10,354)
Changes in US Warrants	-	-	74,410	74,410
Loss on extinguishment of 2028 and 2027 Notes and recognition of term loan	-	-	(168,183)	(168,183)
Other non-operating loss	-	-	(12,325)	(12,325)
Loss before taxes	\$ (3,872)	\$ (302)	\$ (129,291)	\$ (133,465)

For the year ended December 31, 2024	Refinery	Exploration and Evaluation	Corporate and Other	Total
Operating expenses				
Consulting and professional fees	\$ 270	\$ -	\$ 3,512	\$ 3,782
Exploration and evaluation expenditures	-	442	-	442
General and administrative and travel	804	-	2,098	2,902
Investor relations and marketing	-	-	811	811
Salaries and benefits	1,547	-	2,771	4,318
Share-based payments	-	-	1,739	1,739
Operating loss	\$ 2,621	\$ 442	\$ 10,931	\$ 13,994
Unrealized gain on marketable securities	-	-	41	41
(Loss) on financial derivative liability - Convertible Notes	-	-	(4,493)	(4,493)
Changes in US Warrants	-	-	7	7
Other non-operating loss	-	-	(11,008)	(11,008)
Loss before taxes	\$ 2,621	\$ 442	\$ 26,384	\$ 29,447

ELECTRA BATTERY MATERIALS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

(expressed in thousands of Canadian dollars)

For the year ended December 31, 2023	Refinery	Exploration and Evaluation	Corporate and Other	Total
Operating expenses				
Consulting and professional fees	\$ 69	\$ 78	\$ 4,512	\$ 4,659
Exploration and evaluation expenditures	-	700	-	700
General and administrative and travel	156	3	2,236	2,395
Investor relations and marketing	-	-	633	633
Salaries and benefits	1,783	-	1,992	3,775
Share-based payments	-	-	1,821	1,821
Operating loss	\$ 2,008	\$ 781	\$ 11,194	\$ 13,983
Unrealized loss on marketable securities	-	-	(253)	(253)
Gain on financial derivative liability - Convertible Notes	-	-	6,683	6,683
Changes in US Warrants	-	-	1,243	1,243
Other non-operating expenses	-	-	(6,472)	(6,472)
Impairment	(51,884)	-	-	(51,884)
Loss before taxes	\$ 53,892	\$ 781	\$ 9,993	\$ 64,666

(b) Segmented assets and liabilities as at December 31, 2025 and December 31, 2024:

	Total Assets		Total Liabilities	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Refinery	\$ 56,443	\$ 52,434	\$ 12,493	\$ 3,707
Exploration and Evaluation ¹	88,884	93,276	53	87
Corporate and Other	40,237	5,737	126,768	83,335
	\$ 185,564	\$ 151,447	\$ 139,314	\$ 87,129

¹ Total non-current assets comprising of exploration and evaluation assets in the amount of \$88,776 (December 31, 2024 - \$93,200) are located in Idaho, USA. All other assets are located in Canada.

26. Related Party Transactions

The Company's related parties include key management personnel and companies related by way of directors or shareholders in common. The Company paid and/or accrued during the years ended December 31, 2025 and 2024, the following fees to management personnel and directors.

	For the years ended December 31,		
	2025	2024	2023
Management	\$ 4,130	\$ 2,067	\$ 2,194
Directors' fees	230	175	158
	\$ 4,360	\$ 2,242	\$ 2,352

During the years ended December 31, 2025, the Company had share-based payments made to management and directors of \$1,340 (for the year ended December 31, 2024 - \$1,422 and December 31, 2023 - \$1,258).

As at December 31, 2025, the accrued liabilities balance for related parties was \$1,582 (December 31, 2024 - \$161), which relates mainly to compensation accruals.

27. Subsequent Events

- (a) Subsequent to year end, the Company issued 4,734,605 common shares at a weighted average price of \$1.38 for gross proceeds of approximately \$6,535 under its At The Market Offering Agreement ("ATM"). The transaction costs associated with these issuances were \$295. On February 20, 2026, the Company upsized the ATM program to US\$25,000, providing additional financial flexibility to fund working capital and expenditures related to refinery commissioning. The TSXV approval is conditional to the Company fulfilling TSXV requirements in relation to the distribution and sale of common shares.
- (b) On March 16, 2026, the Company received a notice ("Notice") from The Nasdaq Stock Market LLC ("Nasdaq") stating that the Company is not in compliance with the minimum bid price requirement ("Minimum Bid Requirement") of US\$1.00 per share under Nasdaq's Listing Rule 5550(a)(2) based upon the closing bid price of the Company's common shares for the 30 consecutive business days prior to the date of the Notice.

The Notice has no immediate effect on the listing or trading of the Company's common shares on the Nasdaq, and the Company's operations are not affected by the receipt of the Notice. Under Nasdaq Listing Rule 5810(c)(3)(A), the Company has 180 calendar days from the date of the Notice, or until September 14, 2026, to regain compliance with the Minimum Bid Requirement, during which time the Company's common shares will continue to trade on Nasdaq.

If at any time before September 14, 2026, the bid price of the common shares closes at or above US\$1.00 per share for a minimum of 10 consecutive business days, the Company will regain compliance with the Minimum Bid Requirement. If the Company does not regain compliance with the Minimum Bid Requirement by September 14, 2026, the Company may be eligible, upon satisfaction of certain Nasdaq listing requirements, for an additional period of 180 calendar days to regain compliance.

The Company will closely monitor the situation and is considering various strategies to regain compliance with the Minimum Bid Requirement under Nasdaq's Listing Rules.