Lithium Ionic Corp.

Condensed Interim
Consolidated Financial Statements

For the three and six months ended June 30, 2026 and 2025
(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.

Lithium Ionic Corp.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at:	Note	**June 30, 2026**	December 31, 2025
ASSETS			
Current			
Cash and cash equivalents		**$ 6,015,104**	$ 17,521,608
Amounts receivable		**229,690**	435,263
Prepaid expenses		**619,987**	696,943
Total current assets		**6,864,781**	18,653,814
Long-term			
Project development costs	5	**45,325,730**	32,627,790
Property and equipment	6	**1,742,479**	608,380
Total assets		**$ 53,932,990**	$ 51,889,984
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	16	**$ 5,292,232**	$ 4,101,642
Short-term lease liabilities	7	**178,347**	114,039
Total current liabilities		**5,470,579**	4,215,681
Long-term lease liabilities	7	**995,109**	29,371
Royalty-based obligations	8	**33,008,300**	28,483,333
Total liabilities		**39,473,988**	32,728,385
SHAREHOLDERS' EQUITY			
Common shares	11	**126,494,564**	122,546,841
Warrant reserve	12	**3,833,170**	5,903,582
Stock-based compensation reserve	13	**15,354,052**	11,485,536
Accumulated other comprehensive income (loss)		**266,341**	(140,883)
Accumulated deficit		**(131,489,125)**	(120,633,477)
Total shareholders' equity		**14,459,002**	19,161,599
Total liabilities and shareholders' equity		**$ 53,932,990**	$ 51,889,984

Nature of operations and going concern	1
Commitments and contingencies	19
Subsequent events	20

Approved on behalf of the Board of Directors:

Signed: _Blake Hylands, Director_
Signed: _David D'Onofrio, Director_

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Lithium Ionic Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Note	Three months ended June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Expenses					
Exploration and evaluation expenses	10	**$ 470,313**	$ 288,922	**$ 838,261**	$ 834,708
Consulting and management fees	17	**990,739**	883,985	**1,914,128**	2,078,339
Shareholder communications		**211,740**	188,120	**410,649**	431,261
Professional fees		**886,395**	194,583	**1,412,463**	674,804
Office and general		**289,864**	231,323	**1,219,882**	608,507
Depreciation	6	**66,070**	26,650	**96,781**	58,024
Share-based compensation	13	**2,191,407**	830,617	**5,397,613**	830,617
Loss for the year before other items		**$ (5,106,528)**	$ (2,644,200)	**$ (11,289,777)**	$ (5,516,260)
Other items					
Interest income		**8,215**	31,069	**40,785**	216,814
Interest and financing fees		**(56,553)**	(44,339)	**(109,927)**	(99,278)
Lease accretion expense	7	**(14,330)**	(1,583)	**(15,525)**	(3,816)
Foreign exchange (loss) gain		**(762,422)**	840,809	**(1,183,704)**	813,162
Net loss for the period		**$ (5,931,618)**	$ (1,818,244)	**$ (12,558,148)**	$ (4,589,378)
Items that may be subsequently reclassified to net income (loss):					
Foreign currency translation adjustment of subsidiary		**288,667**	(12,965)	**407,224**	(12,778)
Net comprehensive loss for the year		**$ (5,642,951)**	$ (1,831,209)	**$ (12,150,924)**	$ (4,602,156)
Basic loss per share		**$ (0.03)**	$ (0.01)	**$ (0.06)**	$ (0.03)
Diluted loss per share		**$ (0.03)**	$ (0.01)	**$ (0.06)**	$ (0.03)
Weighted average number of common shares outstanding					
Basic and diluted		**194,745,661**	158,579,158	**194,427,487**	158,579,158

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Lithium Ionic Corp.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Number of Shares	Common Shares	Number of warrants	Warrant Reserve	Number of options and RSUs	Stock-based compensation reserve	Accumulated other comprehensive income/(loss)	Deficit	Shareholders' equity
Balance, December 31, 2024	**158,579,158**	**$ 101,757,300**	**11,775,853**	**$ 4,841,022**	**15,127,000**	**$ 9,956,439**	**$ 6,192**	**$ (119,617,404)**	**$ (3,056,451)**
RSUs issued in settlement of payable	-	-	-	-	-	698,480	-	-	698,480
RSUs issued for service contract	-	-	-	-	-	830,617	-	-	830,617
Expiry of warrants	-	-	(569,527)	(112,766)	-	-	-	112,766	-
Net loss for the period	-	-	-	-	-	-	-	(4,589,378)	(4,589,378)
Other comprehensive loss for the period	-	-	-	-	-	-	(12,778)	-	(12,778)
Balance, June 30, 2025	**158,579,158**	**$ 101,757,300**	**11,206,326**	**$ 4,728,256**	**15,127,000**	**$ 11,485,536**	**$ (6,586)**	**$ (124,094,016)**	**$ (6,129,510)**
Balance, December 31, 2025	**193,171,593**	**$ 122,546,841**	**27,590,130**	**$ 5,903,582**	**16,978,045**	**$ 11,485,536**	**$ (140,883)**	**$ (120,633,477)**	**$ 19,161,599**
Share-based compensation - options and RSUs	-	-	-	-	12,575,000	5,397,613	-	-	5,397,613
Exercise of RSUs	1,851,045	1,529,097	-	-	(1,851,045)	(1,529,097)	-	-	-
Options issued for service contract	-	-	-	-	1,000,000	-	-	-	-
Exercise of warrants	2,278,571	2,418,626	(2,278,571)	(367,912)	-	-	-	-	2,050,714
Expiry of warrants	-	-	(1,500,000)	(1,702,500)	-	-	-	1,702,500	-
Net loss for the period	-	-	-	-	-	-	-	(12,558,148)	(12,558,148)
Other comprehensive income for the period	-	-	-	-	-	-	407,224	-	407,224
Balance, June 30, 2026	**197,301,209**	**$ 126,494,564**	**23,811,559**	**$ 3,833,170**	**28,702,000**	**$ 15,354,052**	**$ 266,341**	**$ (131,489,125)**	**$ 14,459,002**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Lithium Ionic Corp.

Condensed Interim Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

	Note	Six months ended June 30, 2026		2025
Cash provided by/(used in):				
Operating activities				
Net loss for the period		**(12,558,148)**	$	(4,589,378)
Items not involving cash:				
Depreciation	6	**96,781**		58,024
Lease accretion expense	7	**15,525**		3,816
Share-based compensation	13	**5,397,613**		830,617
Foreign exchange		**1,096,482**		(613,179)
Changes in non-cash working capital				
Amounts receivable		**205,573**		454,771
Prepaid expenses		**76,956**		(220,150)
Accounts payable and accrued liabilities		**1,184,064**		(1,033,340)
Net cash used in operating activities		**(4,485,154)**		(5,108,819)
Investing activities				
Capitalized project development costs	5	**(8,827,811)**		(6,019,554)
Purchase of equipment	6	**(163,261)**		(12,896)
Net cash used in investing activities		**(8,991,072)**		(6,032,450)
Financing activities				
Proceeds from exercise of warrants	12	**2,050,714**		-
Payments on lease liability	7	**(110,414)**		(124,555)
Net cash provided by (used in) financing activities		**1,940,300**		(124,555)
Effect of exchange rate changes on cash held in foreign currency		**29,422**		(792,390)
Change in cash and cash equivalents		**(11,506,504)**		(12,058,214)
Cash and cash equivalents, beginning of the period		**17,521,608**		23,756,282
Cash and cash equivalents, end of the period		**6,015,104**	$	11,698,068
SUPPLEMENTAL INFORMATION				
Value of common shares issued	11	**3,947,723**		-
Equipment acquired through leases	6, 7	**1,099,464**		188,292
Capitalized depreciation and accretion	5	**39,316**		96,662
Capitalized accretion on royalty obligation	5, 8	**3,477,572**		3,336,690

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Lithium Ionic Corp. (the “Company”, or “Lithium Ionic”) was incorporated on December 21, 2020 under the *Business Corporations Act (Ontario)*. The Company commenced trading as a Tier 2 Mining Issuer on the TSX Venture Exchange (“TSXV”) on May 24, 2022 under the new trading symbol “LTH”.

The Company is currently engaged in the acquisition, exploration, and development of mineral properties in Brazil. The head office and principal address of the Company is 36 Lombard Street, Toronto, Ontario, M5C 2X3.

The Company controls the following subsidiaries:

- A 100% interest in Lithium Ionic Holdings Corp. (formerly Lithium Ionic Inc.), a company incorporated on July 5, 2021 as a Province of Ontario registered corporation pursuant to the *Business Corporations Act (Ontario)*.
- Lithium Ionic Holdings Corp. owns 100% of MGLIT Empreendimentos Ltda. (“MGLIT”), a company incorporated on October 29, 2018 under Brazilian corporate law.
- A 100% interest in Neolit Minerals Participações Ltda. (“Neolit”), a Brazilian company, acquired through Lithium Ionic Holdings Corp. Neolit owns a 100% interest in Salit Mineracao Ltda.
- A 100% interest in Lithium Ionic Bandeira Corp., a company incorporated on June 14, 2024 in the Cayman Islands.
- Through MGLIT, the Company owns a 10% ownership interest in Valitar Participações S.A.(“Valitar”) holding preferred shares that pass on the economic rights of Valitar to MGLIT. As a result, the Company includes Valitar in its consolidated financial statements in accordance with IFRS 10 *Consolidated Financial Statements*.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration programs will result in profitable operations.

The recoverability of exploration and evaluation expenditures is dependent upon the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition of these assets.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

At June 30, 2026, the Company had current assets of $6,864,781 and current liabilities of $5,470,579 (December 31, 2025 - $18,653,814 and $4,215,681 respectively) and an accumulated deficit of $131,489,125 (December 31, 2025 - $120,633,477). As the Company does not yet have any revenue-generating operations, it is dependent on future financing for working capital and exploration and development of its properties. Subsequent to June 30, 2026, the Company completed the sale of its Salinas group of lithium properties for total cash consideration of US$37.5 million, receiving cash proceeds of US$30.0 million at closing on August 25, 2026 (Note 20). Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. As such, there is material uncertainty that casts significant doubt on the Company's ability to continue as a going concern.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

These condensed interim consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements are in compliance with IAS 34, Interim Financial Reporting. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2025.

Basis of presentation

These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and have been prepared using the historical cost basis. Furthermore, these condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. The functional currency of the Company's Brazilian subsidiaries is also the Canadian dollar. The functional currency of Lithium Ionic Bandeira Corp. is the United States dollar. All values are rounded to the nearest dollar. References to R$ refer to the Brazilian Real.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated on consolidation.

Approval of the consolidated financial statements

These condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2026 were reviewed, approved and authorized for issue by the Board of Directors of the Company on August 27, 2026.

3. MATERIAL ACCOUNTING POLICIES

The policies set out in the company's annual financial statements for the year ended December 31, 2025 were consistently applied to all periods unless otherwise noted below.

New and future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB that are mandatory for accounting periods commencing on or after January 1, 2026. The Company adopted such changes without any material impact to the consolidated financial statements. Updates that are not applicable or are not consequential to the Company have been excluded thereof.

3. MATERIAL ACCOUNTING POLICIES (continued)

IFRS 9 and IFRS 7 - In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 Financial Instruments – Disclosures. The amendments clarify the derecognition of financial liabilities and introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments. Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at Fair Value Through Other Comprehensive Income. The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required and early adoption is permitted. The adoption of these amendments had no impact on the Company's consolidated financial statements.

IFRS 18 - In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* to improve reporting of financial performance. The new standard replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required and early adoption is permitted. The Company is assessing the impacts of the adoption of this standard on the financial statements.

4. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Share-based payments and warrants

Management determines costs for share-based payments and warrants issued in financing transactions using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Transition from the exploration stage to the development stage

Judgment is required in determining when an exploration and evaluation project has been established as commercially viable and technically feasible such that it transitions from the exploration and evaluation stage, where the Company expenses costs as incurred, to the development stage, where costs are capitalized. With respect to the Bandeira project, the Company considered a) the completion of the feasibility study and b) the royalty agreement with Appian Capital Advisory LLP ("Appian") (Note 8) where use of proceeds is restricted to funding the initial development of the project, and concluded technical feasibility and commercial viability was achieved. As such, effective July 2024, the Company commenced capitalizing development costs related to the Bandeira project.

4. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES (continued)

Impairment of non-financial assets

Significant judgments, estimates and assumptions are required to determine whether any indication of impairment exists. Management uses the projected cash flows over the life of mine with key assumptions that include, but are not limited to, mineral reserves and mineral resources, expected operating costs, commodity prices, expected capital expenditures and discount rates that reflect specific risks relating to the relevant assets. These assumptions are susceptible to risks and uncertainties and may change the Company's projection and, therefore, may affect the recoverable value of assets.

Classification of royalty as a royalty-based obligation

Significant judgment is required in determining the appropriate accounting treatment for the Appian royalty arrangement (Note 8). Judgement was required to assess whether the arrangement is a financial liability or a sale of a mineral interest. After analyzing the terms of the royalty agreement with Appian, management determined that the royalty should be classified as a financial liability as a) the royalty obligations are secured by charges and share pledges over substantially all current and future assets relating to the project, b) a termination amount is payable in the event of default and c) the arrangement includes a buy-back option. Estimates on expected timing and amount of cash flows are used to determine the value of the liability. These are based on technical information from the Feasibility Study. Judgement is also used to value the embedded derivative.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Contingencies

Refer to Note 19.

5. PROJECT DEVELOPMENT COSTS

In July 2024, after closing its royalty agreement with Appian, which required that the Company spend the proceeds specifically on the initial development of the Bandeira project, and considering the results of the definitive feasibility study, the Company determined that it was appropriate to begin capitalizing costs related to the development of the Bandeira project. Depreciation on project development costs has not been recorded as the assets are not in use. The Company continues to expense exploration and evaluation costs related to its other properties.

Expressed in Canadian Dollars

5. PROJECT DEVELOPMENT COSTS (continued)

	Development costs	Shares issued	Depreciation allocation	Amortization of leases	Accretion of royalty obligation	Foreign exchange	TOTAL
As at December 31, 2024	$ 4,324,245	$ -	$ 104,268	$ 7,044	$ 2,647,688	$ -	$ 7,083,245
Additions	12,801,287	5,978,423	154,765	20,182	6,715,566	(125,678)	25,544,545
As at December 31, 2025	$ 17,125,532	$ 5,978,423	$ 259,033	$ 27,226	$ 9,363,254	$ (125,678)	$ 32,627,790
Additions	8,827,811	-	30,814	8,502	3,477,572	353,241	12,697,940
As at June 30, 2026	**$ 25,953,343**	**$ 5,978,423**	**$ 289,847**	**$ 35,728**	**$ 12,840,826**	**$ 227,563**	**$ 45,325,730**

6. PROPERTY AND EQUIPMENT

The following table sets out the changes to the carrying value of property and equipment:

	Computers, furniture & equipment	Field and lab equipment	Vehicles	Software	Land	Right-of-Use assets	Total
Cost							
As at December 31, 2024	$ 244,687	$ 33,002	$ 167,498	$ 21,076	$ 271,369	$ 612,369	$ 1,350,001
Additions	25,809	1,684	-	-	-	214,076	241,569
Disposal	-	-	-	-	-	(291,296)	(291,296)
As at December 31, 2025	$ 270,496	$ 34,686	$ 167,498	$ 21,076	$ 271,369	$ 535,149	$ 1,300,274
Additions	149,248	3,414	-	-	-	1,099,464	1,252,126
Disposal	-	-	-	-	-	(256,825)	(256,825)
As at June 30, 2026	**$ 419,744**	**$ 38,100**	**$ 167,498**	**$ 21,076**	**$ 271,369**	**$1,377,788**	**$ 2,295,575**
Accumulated Depreciation							
As at December 31, 2024	$ (49,650)	$ (4,414)	$ (77,353)	$ (21,076)	$ -	$ (426,702)	$ (579,195)
Depreciation	(34,454)	(3,334)	(33,500)	-	-	(232,993)	(304,281)
Disposal	-	-	-	-	-	191,582	191,582
As at December 31, 2025	$ (84,104)	$ (7,748)	$ (110,853)	$ (21,076)	$ -	$ (468,113)	$ (691,894)
Depreciation	(17,875)	(1,511)	(14,238)	-	-	(93,970)	(127,594)
Disposal	-	-	-	-	-	266,392	266,392
As at June 30, 2026	**$ (101,979)**	**$ (9,259)**	**$ (125,091)**	**$ (21,076)**	**$ -**	**$ (295,691)**	**$ (553,096)**
Net book value as at December 31, 2025	$ 186,392	$ 26,938	$ 56,645	$ -	$ 271,369	$ 67,036	$ 608,380
Net book value as at June 30, 2026	**$ 317,765**	**$ 28,841**	**$ 42,407**	**$ -**	**$ 271,369**	**$ 1,082,097**	**$ 1,742,479**

Disposals during the six months ended June 30, 2026, all of which occurred during the three months ended March 31, 2026, included right-of-use leases for dormitories in Brazil. The original lease periods expired and the Company extended the terms of these leases for an additional two years. As a result, the original right-of-use assets were derecognized and new right-of-use assets were recorded. As well, one new right-of-use lease was extinguished earlier than the originally estimated term.

The Company also entered into a right-of-use lease for a corporate office in Canada during the three and six months ended June 30, 2026, with a term of four years and nine months and a five-year renewal option that the Company is reasonably certain to exercise.

Expressed in Canadian Dollars

7. LEASE LIABILITY

The following table sets out the changes to the carrying value of lease liabilities:

As at December 31, 2025	**$**	**143,410**
Lease acquisition (net of extinguishment)		1,105,934
Lease accretion		24,027
Lease payments		(110,414)
Foreign exchange		10,499
As at June 30, 2026	**$**	**1,173,456**
Current portion of lease liability	$	178,347
Long-term portion of lease liability	$	995,109

The Company's lease liabilities include financing arrangements for vehicles as well as right-of-use leases for office space, dormitories and warehouses in Brazil, and offices in Canada. Original lease terms ranged from 12 to 57 months.

During the six months ended June 30, 2026, the Company recognized additions to lease liabilities of $1,105,934, net of extinguishments, of which $886,618 related to the right-of-use lease for the corporate office in Canada described in Note 6, with the remainder relating primarily to the renewal of right-of-use leases for dormitories in Brazil.

For the three and six months ended June 30, 2026, the Company allocated $14,330 and $15,525 respectively in lease accretion to the condensed interim consolidated statements of loss and comprehensive loss (three and six months ended June 30, 2025: $1,583 and $3,816 respectively) and $4,757 and $8,502 to capitalized project development costs respectively (three and six months ended June 30, 2025: $4,772 and $8,676 respectively).

Future payments on the Company's financing agreements and right-of-use leases are shown in the table below:

	Brazil		Canada
	R$	CAD$	CAD$
Payments due within 1 year	437,275	120,076	163,477
Payments due in 1-3 years	470,870	129,301	268,063
Payments due in 3-5 years	-	-	284,475
Payments due in more than 5 years	-	-	713,922

Expressed in Canadian Dollars

8. ROYALTY-BASED OBLIGATIONS

On July 18, 2024, the Company completed a definitive royalty agreement with Appian Capital Advisory LLP ("Appian"). The Company, through its subsidiary, Lithium Ionic Bandeira Corp., granted an affiliate of Appian a 2.25% gross revenue royalty in exchange for upfront consideration of US$20,000,000 ($27,454,000). The Company is required to use the proceeds to advance the development and construction of the Bandeira Lithium Project. The agreement stipulates an option to fully buy-back the Royalty within the first five years for a fee of US$67,500,000. The royalty obligations will be secured by charges and share pledges over substantially all current and future assets relating to the Bandeira Project. In the event of default, a termination payment will be payable.

The royalty arrangement is accounted for as a financial liability and was initially recognized at US$20,000,000 ($27,454,000) net of transaction costs directly related to the royalty agreement of US$1,071,634 ($1,478,899) and is subsequently measured at amortized cost. The discount rate, being 22.5%, was determined at recognition by calculating the internal rate of return of the expected cash flows. The carrying value of the royalty-based obligation will be remeasured at each reporting period based on the revised expected future cash flows using the original discount rate under the amortized cost method. The buy-back option was classified at fair value through profit and loss and estimated at $nil as it is unknown at this time whether the Company will be able to exercise the buy-back option before expiry.

As a result of the updated Feasibility Study reported on September 17, 2025, the royalty-based obligation was remeasured based on revised future cash flows using the original discount rate of 22.5% resulting in a reduction of the liability of $6,835,212. This was recorded as a gain on remeasurement of the royalty-based obligation on the consolidated statements of loss and comprehensive loss for the year ended December 31, 2025.

Balance, December 31, 2024	$	29,883,715
Capitalized accretion		6,715,566
Remeasurement of liability		(6,835,212)
Foreign exchange revaluation		(1,280,736)
Balance, December 31, 2025	$	28,483,333
Capitalized accretion		3,477,572
Foreign exchange revaluation		1,047,395
Balance, June 30, 2026	$	33,008,300

As at June 30, 2026, the Company has recognized the entirety of this liability as long-term as it is not anticipated that any royalty payments will be made within the next twelve months. Accretion is capitalized to Project development costs on the condensed interim consolidated statements of financial position.

9. ACQUISITION OF MINING LICENSES

Vale Litio claims

In January 2023, the Company entered into a binding share purchase agreement with Exotic Mineração Ltda. (“Exotic”), which was amended in February 2024 and further amended in February 2025, pursuant to which MGLIT has the option to acquire up to a 100% interest in Vale Do Litio Mineração Ltda. (“Vale Litio”), who has a 100% beneficial ownership interest in three lithium mining claims in Minas Gerais. On signing, the Company had acquired an initial 2.78% equity ownership interest in Vale Litio through a payment to Exotic of R$900,000 ($232,834) in cash. Pursuant to the agreement, the Company can or has acquired the following ownership interest through the following payments to Exotic:

- R$500,000 ($129,947) in cash to acquire an additional 1.54% equity ownership in Vale Litio on or before February 20, 2023 (paid in February 2023);
- R$500,000 ($137,625) in cash to acquire an additional 1.54% equity ownership in Vale Litio on or before July 20, 2023 (paid in July 2023);
- R$500,000 ($136,559) in cash to acquire an additional 1.54% equity ownership in Vale Litio on or before January 20, 2024 (paid in January 2024);
- R$50,000 ($12,376) in cash to acquire an additional 0.15% equity ownership interest in Vale Litio on or before July 20, 2024 (paid in July 2024);
- R$500,000 in cash payable in four instalments of R$125,000 on March 5, 2025 ($30,863 paid in March 2025), July 20, 2025 ($31,694 paid in August 2025), January 20, 2026 ($32,150 paid in January 2026) and July 20, 2026 ($34,512 paid in July 2026) to acquire an aggregate 1.6% equity ownership interest in Vale Litio;
- R$29,450,000 ($8.1 million) in cash to acquire the final 90.85% equity ownership in Vale Litio on or before January 20, 2027.

If the Company establishes a NI 43-101 compliant mineral resource estimate on the Vale Litio claims of at least six million tonnes with an average content greater than 1.3% Li_2O, the Company shall pay Exotic a cash bonus of R$10,000,000 ($2.7 million). If the Company does not complete the acquisition, it will be required to conduct a minimum of 3,000 metres of diamond drilling in the claim areas before January 20, 2027 or pay a fine of R$5,000,000 ($1.4 million). This drilling is waived if the acquisition is completed.

Amounts paid to June 30, 2026, R$2,825,000 ($744,048) which represents an 8.75% interest, have been recorded as land acquisition costs in exploration and evaluation expenses in the period in which they were incurred (June 30, 2025: R$2,575,000 ($680,204) representing a 7.95% interest).

Borges claims

In December 2022, the Company, through MGLIT, acquired 3 mineral claims totaling 1,478 hectares from Mineraçao Borges Ltda. Upon closing, the Company paid R$500,000 ($129,133) upon execution of the conveyance documents transferring the clams to MGLIT. The Company amended this agreement in February 2024 whereby R$50,000 ($13,597) was paid in March 2024 and, upon producing an independent MRE on the claims of 2 million tons of Li_2O content over 1.3% by June 5, 2025, the Company shall pay an additional R$14,950,000 (approximately $4.1 million) to the vendor (the “Borges MRE Milestone”). The agreement was further amended in August 2025 pursuant to which 2 of the 3 claims have been dropped from the scope of the transaction and the Borges MRE Milestone has been reduced to R$7 million ($1.9 million) and the deadline to satisfy the milestone was June 5, 2026. Subsequent to June 30, 2026, on July 2, 2026, the agreement was further amended to reinstate the second mineral claim, extend the deadline to satisfy the Borges MRE Milestone to March 5, 2027 (51 months from the closing date of the agreement), and restructure the milestone payment as R$7 million ($1.9 million) in respect of the original claim and R$3 million ($0.8 million) in respect of the reinstated claim, in consideration for a payment of R$50,000 ($13,805) to the vendor. The Company may terminate this agreement at any time without incurring any financial penalties.

Expressed in Canadian Dollars

10. EXPLORATION AND EVALUATION EXPENSES

Lithium Ionic owns a 100% ownership interest in the Bandeira Project in Brazil, comprising certain exploration permits, the Galvani Licenses, the Borges and Vale claims, the Salinas claims from its acquisition of Neolit, as well as other claims all located in Minas Gerais state (MG), Brazil. The Company commenced the capitalization of developments costs of the Bandeira project in July 2024 (Note 5).

Exploration and evaluation expenses are detailed in the following table.

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Drilling and geophysics	177,600	138,388	419,242	368,949
Mining licenses and land acquisition	-	1,863	-	99,599
Technical reports	199,903	68,740	224,062	184,096
Project overhead costs	84,251	54,519	169,876	99,592
Labour	-	976	-	1,383
Land management fees, taxes and permits	1,588	19,183	14,158	27,165
Professional fees	6,971	5,269	10,923	12,754
Travel, meals and accommodation	-	(16)	-	41,170
Total exploration and evaluation expenses	**$ 470,313**	**$ 288,922**	**$ 838,261**	**$ 834,708**

11. COMMON SHARES

Authorized

On June 30, 2026, the authorized share capital consisted of an unlimited number of common shares without par value.

Issued and outstanding

	Number of shares outstanding	**Amount**
Balance, December 31, 2024 and June 30, 2025	158,579,158	$ 101,757,300
Balance, December 31, 2025	**193,171,593**	**$ 122,546,841**
Exercise of RSUs	1,851,045	1,529,097
Exercise of warrants	2,278,571	2,418,626
Balance, June 30, 2026	**197,301,209**	**$ 126,494,564**

12. WARRANT RESERVES

During the three and six months ended June 30, 2026, 1,622,271 and 2,278,571 warrants respectively were exercised and nil and 1,500,000 warrants respectively expired unexercised. The following table summarizes the warrants outstanding as of June 30, 2026:

Number of warrants outstanding	Number of warrants exercisable	Grant date	Expiry date	Exercise price	Estimated fair value at grant date	Volatility	Risk-free interest rate	Expected life	Expected dividend yield
#	#			$	$			Years	
16,100,141	16,100,141	29/Sep/25	29/Sep/27	0.90	2,599,951	83%	2.47%	2.00	0%
7,711,418	7,711,418	3/Oct/25	2/Oct/27	0.90	1,233,219	82%	2.45%	2.00	0%
23,811,559	**23,811,559**				**3,833,170**				

Expressed in Canadian Dollars

12. WARRANT RESERVES (continued)

The weighted-average remaining contractual life of the warrants as of June 30, 2026 is 1.25 years (December 31, 2025: 1.66 years).

13. STOCK-BASED COMPENSATION RESERVES

	Stock Options		RSUs		Total	
	Number	Value	Number	Value	Number	Value
Balance, December 31, 2024	15,127,000	$ 9,956,439	-	$ -	15,127,000	$ 9,956,439
Granted	-	$ -	1,851,045	$ 1,529,097	1,851,045	$ 1,529,097
Balance, December 31, 2025	15,127,000	$ 9,956,439	1,851,045	$ 1,529,097	16,978,045	$ 11,485,536
Granted	2,950,000	1,321,125	10,625,000	4,076,488	13,575,000	5,397,613
Exercised/settled	-	-	(1,851,045)	(1,529,097)	(1,851,045)	(1,529,097)
Balance, June 30, 2026	**18,077,000**	**$ 11,277,564**	**10,625,000**	**$ 4,076,488**	**28,702,000**	**$ 15,354,052**

Stock options

During the six months ended June 30, 2026, 1,950,000 stock options were granted to non-executive directors, officers and employees at an exercise price of $1.35, fully vested on the date of grant. The Company recognized $nil and $1.3 million as share-based compensation expense on the condensed interim consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2026, respectively, with respect to this grant ($nil for the three and six months ended June 30, 2025). The Company also granted 1,000,000 stock options to a vendor at an exercise price of $1.04, vesting being conditional upon fulfilment of certain performance obligations; no expense has been recognized on this grant as the vesting conditions have not been met as at June 30, 2026. There were no stock option grants during the three months ended June 30, 2026. The following table summarizes the stock options outstanding as of June 30, 2026:

Number of options outstanding	Number of options exercisable	Grant date	Expiry date	Exercise price	Estimated fair value at grant date	Volatility	Risk-free interest rate	Expected life	Expected dividend yield
#	#			$	$			Years	
6,280,000	6,280,000	20/Apr/22	20/Apr/27	0.70	2,463,644	65%	2.63%	5.00	0%
2,680,000	2,680,000	1/Jun/22	1/Jun/27	1.24	1,891,276	66%	2.86%	5.00	0%
250,000	250,000	13/Jun/22	13/Jun/27	1.06	209,425	66%	3.48%	5.00	0%
150,000	150,000	5/Aug/22	5/Aug/27	1.22	105,750	67%	2.90%	5.00	0%
1,932,000	1,932,000	3/Nov/22	3/Nov/27	1.69	1,906,884	67%	3.59%	5.00	0%
200,000	200,000	27/Feb/23	27/Feb/28	2.89	336,600	66%	3.57%	5.00	0%
1,940,000	1,940,000	15/Nov/23	15/Nov/28	1.44	2,248,460	111%	3.88%	5.00	0%
150,000	150,000	1/Dec/23	1/Dec/28	1.60	191,850	110%	3.50%	5.00	0%
1,545,000	1,545,000	11/Jul/24	11/Jul/29	0.90	602,550	87%	3.40%	5.00	0%
1,950,000	1,950,000	14/Jan/26	14/Jan/29	1.35	1,321,125	75%	2.50%	3.00	0%
1,000,000	-	5/Mar/26	5/Mar/28	1.04	444,000	77%	2.58%	2.00	0%
18,077,000	**17,077,000**				**11,721,564**				

13. STOCK-BASED COMPENSATION RESERVES (continued)

RSUs and DSUs

On July 26, 2024, shareholders approved the Company's RSU/DSU plan. The Board of Directors may at any time authorize the grant to eligible participants RSUs and/or DSUs. Each grant shall specify the performance period and performance conditions, if any, and the vesting date. Each RSU or DSU award represents the right for the participant to receive on vesting either one common share of the Company or a cash payment equal to the equivalent therefore, which shall be at the sole and absolute discretion of the Board of Directors. The aggregate number of common shares that may be reserved for issuance under the RSU/DSU plan is limited to 12,500,000 common shares. The maximum aggregate number of common shares that are issuable pursuant to all share-based compensation granted or issued in any 12-month period to any one eligible consultant shall not exceed 2% of the total number of issued and outstanding common shares of the Company on a non-diluted basis. RSUs shall be settled by the Company upon the vesting date in either cash or common shares, however DSUs, upon vesting, shall be settled in either cash or shares upon the earlier of the death, eligible retirement or termination of the participant. No DSUs were granted or outstanding during the period ended and as of June 30, 2026.

As at June 30, 2026, there were 10,625,000 RSUs outstanding. On January 14, 2026, 10,625,000 RSUs were granted to directors, officers and employees of the Company at a fair value of $1.35 each; these RSUs vest in three equal installments starting on the first anniversary of the grant. The Company recorded share-based compensation expense of $2.2 million and $4.1 million for the three and six months ended June 30, 2026, respectively, relating to these RSUs. In January 2025, 917,768 RSUs were granted to a supplier of the Company to settle a liability. These RSUs vested on January 22, 2026 and were recorded at a value of $698,480 which is the estimated fair value of the liability settled. In April 2025, 933,277 RSUs were granted to a supplier of the Company pursuant to a service contract. These RSUs vested on April 2, 2026 and were recorded at a value of $830,617, being the estimated fair value on the date of grant. During the six months ended June 30, 2026, all 1,851,045 of these RSUs vested and were settled through the issuance of common shares.

14. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board 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. The Company considers its capital to consist of common shares, warrants and options.

The properties in which the Company currently has an interest are in the exploration and evaluation stage and development stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned development of the Bandeira property, to continue exploration and evaluation and to pay for administrative costs, the Company must raise additional amounts.

The Company may continue to assess new properties and may seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months.

14. CAPITAL MANAGEMENT (continued)

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the three and six months ended June 30, 2026 and 2025.

15. OFFTAKE AGREEMENTS

On March 25, 2026, the Company entered into binding multi-year offtake agreements with Sichuan Yahua Industrial Group Co., Ltd. and Grand Chen Resources Pte. Ltd., both recognized global producers of lithium-ion battery materials. The agreements relate to the supply of high-quality spodumene concentrate from the Company's Bandeira Lithium Project, located in Minas Gerais, Brazil.

Under the agreements, the Company will supply a combined 170,000 tonnes per annum of spodumene concentrate for a five-year take-or-pay term. The counterparties are vertically integrated suppliers to major battery and electric-vehicle manufacturers.

The pricing mechanism includes a minimum sales price of US$1,000 per tonne of 6% spodumene concentrate, with no maximum price cap. Prices will be indexed to prevailing market reference prices without discount, providing the Company with downside protection while maintaining full exposure to potential upside in lithium market prices.

In conjunction with the execution of the offtake agreements, the Company agreed to receive a combined pre-payment facility of up to US$20 million, subject to execution of definitive agreements on market-standard terms. The facility is intended to support ongoing project development and the advancement of the Bandeira Lithium Project toward construction.

16. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The Company's financial instruments recorded at fair value fall under level 1.

The Company's financial instruments include cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities whose carrying values reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. Management believes the carrying value of lease liabilities approximate fair value. The Company's royalty-based obligations are recognized at amortized cost, which management believes approximates fair value.

16. FINANCIAL INSTRUMENTS (continued)

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

(a) *Credit risk*

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

a. *Trade credit risk*
The Company is not exposed to significant trade credit risk.

b. *Cash and cash equivalents*
In order to manage credit and liquidity risk the Company's policy is to invest only in highly rated investment grade instruments. Limits are also established based on the type of investment, the counterparty and the credit rating.

(b) *Currency risk*

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk arises primarily with respect to the Brazilian real (BRL) from its property interests in Brazil, and US dollars from some corporate operations. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

As at June 30, 2026, the Company had the following financial instruments denominated in foreign currency (expressed in Canadian dollars):

	Brazilian reals	US dollars
Cash	$ 742,952	$ 3,763,353
Accounts payable and accrued liabilities	(1,953,953)	(2,140,730)
Lease liabilities	(228,975)	-
Royalty-based obligations	-	(33,008,300)
	$ (1,439,976)	$ (31,385,677)

A 10% strengthening (weakening) of the Canadian dollar against the Brazilian real would decrease (increase) net loss and comprehensive loss by approximately $144,000 (June 30, 2025 - $24,000).

A 5% strengthening (weakening) of the Canadian dollar against the US dollar would decrease (increase) net loss and comprehensive loss by approximately $1,569,000 (June 30, 2025 - $1,173,000).

(c) *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At June 30, 2026, the Company had a cash and cash equivalents balance of $6,015,104 (December 31, 2025 - $17,521,608) to settle current liabilities of $5,470,579 (December 31, 2025 - $4,215,681). Of the current liabilities, approximately $4.1 million have contractual maturities of less than 30 days and are subject to normal trade terms.

Expressed in Canadian Dollars

16. FINANCIAL INSTRUMENTS (continued)

(d) *Commodity / equity price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to lithium, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk is remote at this time as the Company is not a producing entity.

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. During the three and six months ended June 30, 2026 and 2025, the remuneration of directors and other key management personnel is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Management and Consulting fees	$ 827,802	$ 708,453	$ 1,532,325	$ 1,743,538
Share-based compensation	2,021,250	-	3,946,960	-
Total	**$ 2,849,052**	**$ 708,453**	**$ 5,479,285**	**$ 1,743,538**

Remuneration for the three and six months ended June 30, 2026 includes fees paid or payable to former directors and officers of the Company, both for services up to the dates of their resignations and under the arrangements described in Note 19, as well as share-based compensation on restricted share units retained by those individuals.

As at June 30, 2026, an amount of approximately $499,000 (December 31, 2025 - $521,000), included in accounts payable and accrued liabilities, was owed to directors and officers of the Company. This includes unbilled bonuses from 2024. Such amounts are unsecured and non-interest bearing. As well, related to the Neolit acquisition, an amount of US$1,500,000 ($2,131,500) plus accrued interest of approximately $382,000 is owed to an officer of the Company.

During the three and six months ended June 30, 2026, the Company paid $nil and $1,125 respectively (June 30, 2025: $30,000 and $104,000 respectively) to Troilus Mining Corp. for office space, administrative services and reimbursable costs. As at June 30, 2026, a balance of $nil (December 31, 2025: $10,744) is payable to Troilus Mining Corp. Mr. Tom Olesinski, the Company's Chief Financial Officer, is a director of Troilus Mining Corp.

The Company paid $nil and $2,260 respectively during the three and six months ended June 30, 2026 to T & L Consulting for office administrative services. As at June 30, 2026, no amounts are owed to T & L Consulting. Mr. Tom Olesinski is an owner of T & L Consulting.

Also during the three and six months ended June 30, 2026, the Company paid approximately $6,500 and $12,700 respectively (June 30, 2025: $7,567 and $17,815 respectively) to Falcon Metais Ltda. for various administrative services. As at June 30, 2026, a balance of $nil (December 31, 2025: $nil) is payable to Falcon Metais Ltda., while a balance of $nil (December 31, 2025: $901) is recorded as prepaid expense. Mr. Helio Diniz is an officer of Falcon Metais Ltda.

Expressed in Canadian Dollars

17. RELATED PARTY TRANSACTIONS (continued)

During 2023, the Company's subsidiary MGLIT entered into an agreement with Valitar, in which Mr. Helio Diniz indirectly owns a 90% interest and of which he is an officer, for a non-revolving credit facility of R$10,000,000 ($2,746,000), with the full facility drawn down at June 30, 2026. The purpose of this facility was to pay for the acquisition of surface rights in Brazil by Valitar. The facility was repayable in full on June 2, 2026 and carries an interest rate of 1% per annum, with interest payable at maturity. The Company is in the process of rescheduling the date of repayment to June 2, 2029. It is anticipated that Valitar will authorize MGLIT to perform mineral activities on its properties and upon commencement of production, MGLIT will pay royalties to Valitar in accordance with the applicable legislation. The loan facility has been eliminated on consolidation.

18. SEGMENT INFORMATION

The Company conducts its business as a single operating segment, being mineral exploration and evaluation in Brazil. The following table summarizes the total assets and liabilities by geographic segment as at June 30, 2026 and as at December 31, 2025:

June 30, 2026	**Brazil**	**Cayman Islands**	**Canada**	**Total**
Total Assets	**$ 47,196,254**	**$ 193,129**	**$ 6,543,607**	**$ 53,932,990**
Total Liabilities	**$ 2,182,928**	**$ 33,008,300**	**$ 4,282,760**	**$ 39,473,988**

December 31, 2025	**Brazil**	**Cayman Islands**	**Canada**	**Total**
Total Assets	$ 34,219,203	$ 4,643,791	$ 13,026,990	$ 51,889,984
Total Liabilities	$ 794,758	28,483,333	3,450,294	32,728,385

19. COMMITMENTS AND CONTINGENCIES

Environmental

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to make expenditures to comply with such laws and regulations.

Legal proceedings with respect to property rights

The Company, through its subsidiary MGLIT, is contesting a decision by the Agência Nacional de Mineração ("ANM") which reduced the area of one of its Bandeira claims. The Company has filed a lawsuit seeking to invalidate ANM's decision. The court granted an interlocutory relief suspending its effects. In compliance with the court order, ANM reincorporated the reduced area into MGLIT's claim and restored its original extension. The lawsuit is currently at the stage of production of evidence.

Legal proceedings with respect to municipal tax

Two suppliers of the Company indicated a specific tax rate for Salit to collect a municipal tax (ISSQN) during 2022/2023. In 2025, the Municipality of Salinas conducted a tax inspection and decided that this rate was inadequate (i.e., less than what was owed), beginning an administrative proceeding seeking to collect the relevant amount. The Company has filed a lawsuit to avoid the filing of a tax foreclosure lawsuit from the Municipality (seeking the collection of the debt and legal fees) since contractually, the responsibility of this payment lies with the two suppliers.

19. COMMITMENTS AND CONTINGENCIES (continued)

Regulatory matters and corporate governance

On April 9, 2026, the Ontario Securities Commission (the "OSC") announced enforcement proceedings involving another reporting issuer, Emerita Resources Corp. ("Emerita"), certain of its directors and officers, and an individual related to the alleged misconduct. Certain individuals named in that proceeding have current or former associations with the Company. The proceedings relate to the conduct of certain individuals relating to certain mining claims which form part of its Bandeira Project. The Company is not a respondent in the OSC proceeding, no allegations have been made against the Company, and no orders or remedies have been sought against it. The allegations remain unproven and will be subject to adjudication before the Capital Markets Tribunal, where a case management hearing was held on May 8, 2026 and a further case management hearing is scheduled for September 10, 2026.

Separately, in connection with the delayed filing of the Company's audited annual financial statements, the Company applied for and was granted a management cease trade order ("MCTO") under National Policy 12-203, effective May 4, 2026, which limited trading restrictions to certain insiders rather than the Company's securities generally. The required filings were subsequently completed and the MCTO was revoked on June 9, 2026.

The Company has confirmed that it holds valid and registered title to its Brazilian mineral claims, including its 100%-owned Bandeira Lithium Project, supported by independent legal title opinions and publicly available records maintained by Brazil's National Mining Agency. These records do not indicate prior ownership by the issuer referenced in the OSC proceeding.

In response to the OSC announcement, the Board of Directors established a Special Committee composed solely of independent directors to oversee the Company's communications, disclosure, and governance response relating to this matter.

On April 20, 2026, Messrs. Gower, Guy and Diniz resigned as directors of the Company, and Damian Lopez resigned as Corporate Secretary. Under arrangements entered into, the Company agreed to pay Messrs. Gower, Guy and Lopez their base fees monthly in arrears for a 12-month period, and Mr. Diniz remains in an operational role as Managing Director, Brazil, through an independent contractor services agreement. The Company regularly reviews reporting lines, authorization controls, and governance oversight for all executive and management functions. The Managing Director, Brazil, operates under oversight of executive management and the Board and does not independently exercise corporate governance functions reserved to directors These resignations do not constitute, and should not be interpreted as, admission of guilt, liability, or wrongdoing by any individual. On June 23, 2026, the Company appointed Clovis Torres, a Brazilian mining, legal and corporate governance executive to its Board of Directors.

On April 14, 2026, the Company received a requisition from Waratah Capital Advisors Ltd. ("Waratah") requesting that the Board call a special meeting of shareholders. Following engagement with Waratah, Waratah formally withdrew its requisition on August 4, 2026 and confirmed its support for the election of all six management nominees. At the Company's annual general and special meeting held on August 18, 2026, shareholders approved all items of business, including the election of all six director nominees, among them new independent directors John Turner and Ernie Ortiz Ortega. Following the meeting, John Turner was appointed Chair of the Board.

Management believes that the actions taken, including Board and officer changes, enhanced governance oversight, and engagement with regulators, demonstrate the Company's commitment to transparency, regulatory compliance, and the protection of shareholder interests.

19. COMMITMENTS AND CONTINGENCIES (continued)

Although the Company is not a party to the OSC proceedings, the matter could result in increased scrutiny from regulators, investors, and other stakeholders, as well as reputational risk or additional professional fees. There can be no assurance that such indirect effects will not occur. The Company will continue to monitor developments and may update its disclosure as additional information becomes available.

In June 2026, a group claiming to be significant shareholders of Emerita applied to the Ontario Superior Court of Justice (Commercial List) for leave to commence a derivative lawsuit on behalf of Emerita against the Company and others, premised on the OSC enforcement proceeding. Leave of the Court has not been obtained, and a hearing of the application has been scheduled for September 4, 2026. Based on the allegations made by the OSC and the facts known to the Company, even if leave is granted, the Company does not believe a court will find that the Company holds the Bandeira Project in trust for Emerita, or order that the Bandeira Project be transferred to Emerita.

The Management has determined that, as at June 30, 2026, there is no liability or provision requiring recognition under IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets.*

Subsequent to June 30, 2026, Emerita filed a statement of claim naming the Company and MGLIT as defendants (Note 20).

General

The Company may be subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable, and the amounts are estimable.

Management Contracts

The Company is party to certain management contracts. As of June 30, 2026, these contracts require payments of approximately $5,677,000 (December 31, 2025 - $7,449,000) to be made upon the occurrence of a change of control to the officers and consultants of the Company. The Company is also committed to payments upon termination of approximately $1,958,000 (December 31, 2025 - $2,543,000) pursuant to the terms of these contracts as of June 30, 2026. As a triggering event has not taken place on June 30, 2026, these amounts have not been recorded in these condensed interim consolidated financial statements.

Other

Subject to the amended agreement to acquire one mineral claim from Mineracao Borges Ltda., upon producing an independent NI 43-101 compliant MRE on the claim of 2 million tons of Li_2O content over 1.3% by June 5, 2026, the Company shall pay an additional R$7 million ($1.9 million). Subsequent to June 30, 2026, the agreement was further amended to reinstate a second mineral claim, extend the milestone deadline to March 5, 2027, and provide for an additional R$3 million ($0.8 million) payable upon achieving the milestone on the reinstated claim, in consideration for a payment of R$50,000 ($13,805) to the vendor. As at June 30, 2026, no determination has been made in this regard, and no amount has been accrued related to this contingent arrangement.

19. COMMITMENTS AND CONTINGENCIES (continued)

In connection with the Company's agreement to acquire a 100% interest in the Vale Litio claims, the Company paid R$125,000 ($34,512) in July 2026 subsequent to the period end, and is scheduled to pay R$29,450,000 ($8.1 million) on or before January 20, 2027 to acquire the remaining 90.85% interest. As well, if the Company establishes a NI 43-101 compliant mineral resource estimate on the Vale Litio claims of at least six million tonnes with an average content greater than 1.3% Li_2O, the Company shall pay Exotic a cash bonus of R$10 million ($2.7 million). If the Company terminates this agreement, it will be required to conduct a minimum of 3,000 metres of diamond drilling in the claims area by January 20, 2027 or pay a fine of R$5 million ($1.4 million). This drilling obligation is waived if the acquisition is completed.

In June 2026, the Company placed its first long-lead equipment order for the Bandeira project, for the supply of the project's main substation power transformer for an amount of R$5.4 million ($1.5 million).

See Notes 1,7 and 9.

20. SUBSEQUENT EVENTS

Sale of Salinas properties

On August 12, 2026, the Company entered into a definitive agreement with PLS Brasil Mineração Ltda., a wholly-owned subsidiary of PLS Group Limited ("PLS"), one of the world's largest hard-rock lithium producers, to sell its Salinas group of lithium properties, including the Baixa Grande deposit, comprising ten mineral claims and certain associated assets held through its subsidiaries, Salit Mineração Ltda. and Neolit Minerals Participações Ltda. The sale is for cash consideration of US$37.5 million, of which US$30.0 million was paid at closing and US$7.5 million is payable on the earlier of a positive final investment decision for PLS' Colina Project and December 31, 2029. The Company will retain a royalty of 2.0% of the proceeds from the sale of all spodumene extracted from the Salinas mineral rights, calculated on a free-on-board basis. The transaction closed on August 25, 2026, and the Company received cash proceeds of US$30.0 million. The Company intends to use the proceeds to support early works, procurement and construction-readiness activities at its Bandeira Lithium Project and general corporate purposes.

This is a non-adjusting event after the reporting period; accordingly, no effect has been given to the transaction in these condensed interim consolidated financial statements. The transaction is expected to result in a gain on disposal, which will be recognized in the third quarter of 2026. The amount of the gain remains subject to finalization of the fair value of the retained royalty and transaction costs.

Statement of claim

On July 29, 2026, Emerita filed a statement of claim in the Ontario Superior Court of Justice relating to certain mining claims, part of which now forms the Company's Bandeira Project. The claim principally concerns allegations against certain former directors and officers of Emerita and of the Company, together with Falcon Metais Ltda., and also names the Company and its subsidiary MGLIT as defendants. Among other things, Emerita claims an equitable interest in the Bandeira Project and a constructive trust over securities of the Company held by the former directors and officers. None of the current directors or officers of the Company are named as defendants, and the allegations have not been proven. The Company is the sole legal and beneficial owner of the Bandeira Project, and title is supported by independent third-party legal opinions and publicly available records maintained by Brazil's National Mining Agency (Agência Nacional de Mineração – "ANM"), which do not indicate prior ownership of the relevant claims by Emerita. The Company believes it is the rightful owner of the Bandeira Project and related assets, and intends to protect its rights and respond through the court process. This is a non-adjusting event after the reporting period, and no provision has been recognized in these condensed interim consolidated financial statements in respect of this matter. Given the early stage of the proceedings, it is not practicable to estimate the financial effect, if any, of this claim on the Company.