Lithium Ionic Corp.

Management's Discussion and Analysis

For the three and six months ended June 30, 2026
(in Canadian dollars, unless otherwise noted)

Date: August 27, 2026

This Management's Discussion and Analysis ("**MD&A**") provides a discussion and analysis of the financial condition and results of the operations of Lithium Ionic Corp. (individually or collectively with its subsidiaries, as applicable, "**Lithium Ionic**" or the "**Company**"), to enable a reader to assess material changes in the financial condition and results of operations as at and for the three and six months ended June 30, 2026. This MD&A should be read in conjunction with the condensed interim consolidated financial statements for the three and six months ended June 30, 2026 as well as the audited annual consolidated financial statements and MD&A for the year ended December 31, 2025. All amounts included in the MD&A are expressed in Canadian dollars, unless otherwise specified.

The Company's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. Please refer to Note 3 of the annual audited consolidated financial statements as at and for the year ended December 31, 2025 for disclosure of the Company's material accounting policies.

Additional information about the Company may be found on SEDAR+ at www.sedarplus.ca.

The scientific and technical contents of this MD&A have been reviewed and approved by Carlos H.C. Costa, P.Geo (APGO), Qualified Person under National Instrument 43-101 ("**NI 43-101**").

The Board of Directors of the Company has reviewed this MD&A and the condensed interim consolidated financial statements for the three and six months ended June 30, 2026, and the Company's Board of Directors approved these documents prior to their release.

Second Quarter and Subsequent Highlights

- Completed sale of Salinas group of properties on August 25, 2026, subsequent to quarter-end: US$37.5 million in cash plus a retained 2.0% royalty on future spodumene sales.
- Engineering approximately 65% complete; first long-lead order placed for the main substation transformer for R$5.4 million ($1.5 million)
- Spodumene concentrate pricing of US$2,000-2,300/t, above the price assumptions used in the September 2025 Feasibility Study;
- Binding five-year offtake agreements are in place for 170,000 tonnes per annum of spodumene concentrate, with a US$1,000/t floor price and no price ceiling, which are expected to support project financing and future revenues if the Bandeira Project reaches production (see Offtake Agreements);
- Quilombola consultation substantially advanced, with the impact and compensation studies submitted in June 2026.

Overview and Strategy

Lithium Ionic Corp. is a Canadian lithium development company listed on the TSX Venture Exchange ("TSXV"). The Company is focused on advancing its flagship Bandeira Project, a near-term hard-rock spodumene development in Minas Gerais, Brazil, in a region known as the "Lithium Valley", toward a construction decision and production. Bandeira is in the detailed engineering, permitting and project financing stage, and the Company's objective is to become a near-term, low-cost producer of spodumene concentrate for global battery supply chains. The Company complements this strategy with disciplined management of its broader mineral portfolio, including the monetization of non-core assets: on August 25, 2026, subsequent to quarter-end, the Company completed the sale of its Salinas group of properties for US$37.5 million in cash plus a retained 2.0% royalty, with proceeds directed to Bandeira (see Subsequent Events).

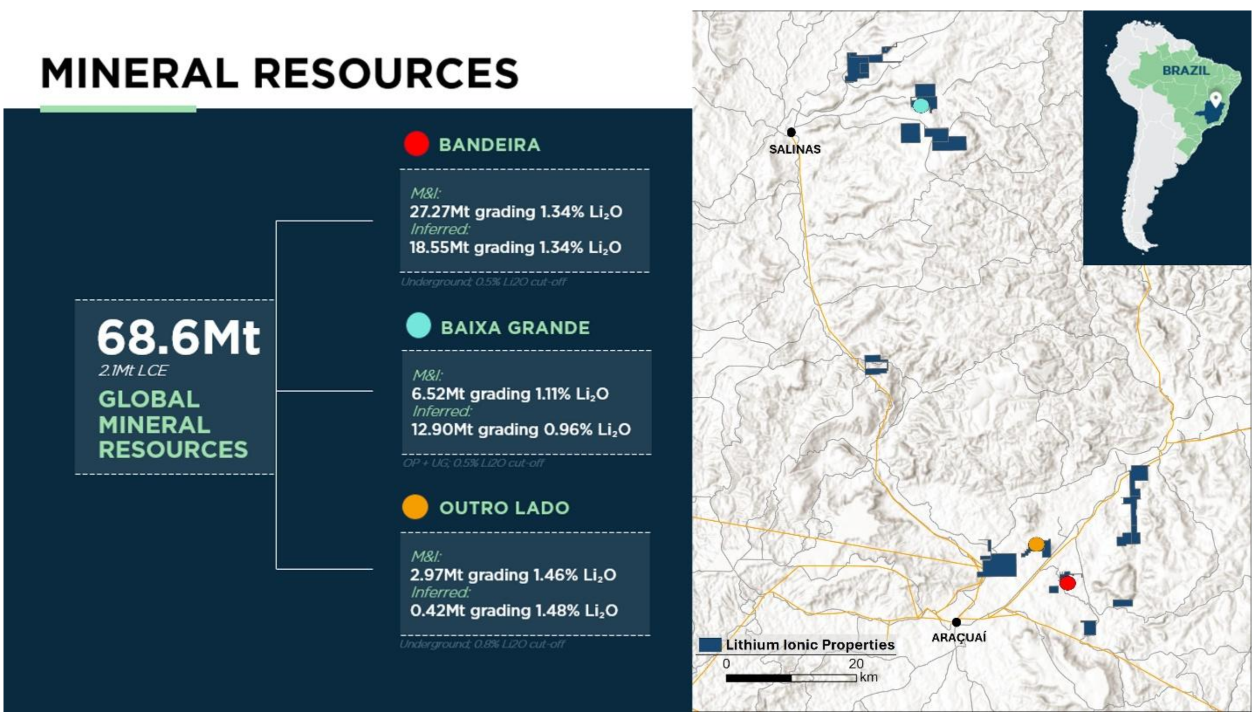
Development is conducted through the Company's wholly owned Brazilian subsidiaries, MGLIT Empreendimentos Ltda. ("MGLIT") and Neolit Minerals Participacoes Ltda ("Neolit"). Through MGLIT, the Company owns a 10% ownership interest in Valitar Participações S.A.("Valitar") holding preferred shares that 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 Company owns a 100% interest in Lithium Ionic Bandeira Corp., incorporated in the Cayman Islands.

Summary of Properties and Projects

All properties and tenements held by Lithium Ionic and its subsidiaries are held in Brazil, in the northern portion of Minas Gerais state in the Salinas, Araçuaí, and Itinga Municipalities. Through exploration work completed since 2022, the Company maintains three resources totaling 68.6 Mt of measured, indicated, and inferred resources. On August 25, 2026, the Company completed sale of the Salinas group of properties detailed in Subsequent Events.

The majority of these resources are located at the Bandeira Project to the east of Araçuaí, with Outro Lado being a small satellite deposit located 7 km to the north of Bandeira. The Bandeira Project is at the detailed engineering phase, with feasibility studies completed in May 2024 and September 2025. Project permitting and financing are underway, supporting the pathway to a final investment decision.

The Salinas group of properties is located 80km north of Bandeira with the Baixa Grande deposit containing 19.4Mt of MI&I resources. This project is at the initial resource phase with no feasibility study or permitting completed. Directly adjacent to this resource is the Colina deposit which was acquired by PLS from Latin Resources in 2025. See the subsequent events note on a recently announced transaction between Lithium Ionic and PLS to consolidate Baixa Grande with the broader Colina deposit.



(in Canadian dollars, unless otherwise noted)

Definitive Feasibility Study – Bandeira Project

The Company updated its Bandeira Definitive Feasibility Study on September 17, 2025, filing the resulting technical report on October 31, 2025. Please see the Company's press release dated September 17, 2025 on SEDAR+ or the Company's website for further details. The updated Definitive Feasibility Study was conducted in partnership with RTEK International, L&M and GE21.

The updated Definitive Feasibility Study builds on the original Definitive Feasibility Study released in May 2024, incorporating a larger mineral resource and updated mine and plant design and estimated lower capital and operating costs compared with the prior study. The processing plant and surface facilities were streamlined using industry-standard equipment and proven fabricated modular process plant segments, reducing fabrication and installation costs. Conservative spodumene price forecasts provided by Fastmarkets were used and royalties, taxes and transportation charges were all included.

in US$

Project Economics	May-24	Sep-25
Post - Tax NPV_8	$1.31 billion	**$1.45 billion**
Post - Tax IRR	40%	**61%**
Pre - Tax NPV_8	$1.57 billion	**$1.72 billion**
Pre - Tax IRR	44%	**68%**
Annual Revenue – Life Of Mine ("LOM") Average	$417 million	**$343 million**
Average Annual After-tax Free Cash Flow	$286 million	**$208 million**
Payback	41 months	**26 months**
Production Profile		
Total Project Life (LOM)	14 years	**18.5 years**
Total LOM production (ore mined)	17.2 Mt	**23.2 Mt**
Nominal Plant Capacity	1.3 Mtpa	**1.5 Mtpa**
Average plant throughput	1.23 Mtpa	**1.29 Mtpa**
Total concentrate production (LOM)	2,493 kt SC5.5 (338 kt LCE)	**3,198 kt SC5.2 (411 kt LCE)**
Run-of-Mine grade, Li2O (mine diluted)	1.16%	**1.10%**
Average Annual Production of Spodumene Concentrate @ 5,5% Li2O	178 ktpa (24.2 ktpa LCE)	**177 ktpa (SC5.2)**
Metallurgical recovery (SPO 5.5% Li2O)	68.9%	**65.3%**
CAPEX AND OPEX		
Initial Capital Costs	$266 million	**$191 million**
Sustaining CAPEX	$81 million	**$100 million**
Operating costs (FOB / t SC5.5)	$444/t	**$378/t**
Economic Assumptions & Parameters		
Spodumene Concentrate Price (5.5% Li_2O; LOM Avg)	$2,277/t	**$2,212/t**
Exchange rate (USD: BRL)	$1.00:$5.07	**$1.00:$5.85**
Discount Rate	8%	**8%**

The updated Bandeira mine plan optimizes the mine schedule with the updated resource estimate to increase early production while reducing estimated capital costs associated with development.

The operating model begins with engaging a proven mining contractor for the initial development phase, transitioning to an owner-operated team to minimize life-of-mine operating costs. The process plant flowsheet follows design principles used in comparable regional operations, with the objective of supporting operational reliability and consistency. The design remains simple, incorporating crushing, screening, dense media separation (DMS), and dewatering. RTEK's modular design approach uses industry-standard equipment pre-assembled on structural steel at an off-site facility, reducing on-site assembly time and costs. In addition, layout optimizations lower capital intensity by minimizing earthworks and civil construction requirements for plant assembly.

Initial capital costs for the Bandeira Project are estimated at US$191 million including contingency, reduced by approximately 28% from the prior study which had a CAPEX of $266 million. The sustaining capital over the 18.5-year mine life is projected at $100 million. A breakdown of the estimated capital costs is presented below.

	Cost ($M)
Mine	59.2
Surface	107.3
Owner's Cost	4.9
Contingency	19.6
Initial CAPEX	**191.0**

The operating costs of the Bandeira Project are estimated to be US$42.35 per tonne of ore processed. Total site operating costs are estimated at US$378 per tonne of 5.2% Li2O spodumene concentrate produced, placing it competitively among the global lithium industry. A breakdown of the operating costs is presented below.

Operating costs (per tonne of ore processed)	**$42.3/t**
Mining	$26.2/t
Processing	$13.5/t
SG&A	$2.7/t
Operating costs (per tonne of 5.2% LixO spodumene concentrate produced)	**$378/t**
Mining	$190/t
Processing and tailings handling	$98/t
SG&A	$19/t
Capitalized mining and underground primary development	$70/t
Other costs	
Transportation costs to customer destination (Project mine site to Shanghai Port, China)	$119/t

Sensitivity analyses completed as part of the Feasibility Study demonstrate that the Project's value is strongly influenced by the selling price of spodumene concentrate. While capital (CAPEX) and operational (OPEX) costs impact the Net Present Value (NPV), their effects are relatively minor compared to concentrate price fluctuations. Bandeira's economics are sensitive to spodumene concentrate pricing, and higher realized prices, if sustained, would be expected to improve project economics.

The updated Feasibility Study was completed with the support of representatives of experienced consulting groups including RTEK, Promon, RETA, GE21 and L&M.

The complete NI 43-101 technical report associated with the updated Definitive Feasibility Study can be found on SEDAR+ at www.sedarplus.ca under the Company's issuer profile, as well as the Company's website at www.lithiumionic.com.

Project Execution

During the first half of 2026, the Company advanced procurement, engineering and site-readiness activities required to support a potential transition from design to execution, including:

- Secured binding offtake agreements, a key enabler of project financing (see Offtake Agreements)
- Continued EPCM progress to 65% completion of total engineering with critical studies complete in mine and geotechnical design
- Placing the order for the main site transformer, the first piece of equipment needed to support site power reticulation for construction and operation.
- Securing land lease rights to secure construction phase water supply from permitted abstraction points on the Jequitinhonha River

The project continues to advance into the detailed phase of development with ongoing engineering, de-risking and further supporting the capital cost estimate with updated values from firm bid processes. The team intends to continue to progress engineering to support capital and execution confidence in ongoing financing activities.

In May 2026, the Company initiated mine operations contractor tenders and engaged Hect Consultoria, an experienced Brazilian procurement and contracting specialist, to lead the structuring and bringing-to-market of mine operations and underground development tenders. This tendering process is intended to allow the project team to align with its key mining contractor partner early to resolve any engineering conflicts in the current design prior to completing engineering activities.

Multiple plant utility and site infrastructure equipment packages were also issued to bid supporting the equipment needed to advance the project to the construction phase. In June 2026, the Company placed its first long-lead equipment order at Bandeira, securing the Project's main 138/13.8 kV substation power transformer from Brazilian manufacturer Blutrafos, for an amount of R$5.4 million ($1.5 million). This early procurement is intended to secure a long-lead item for site power reticulation and support the project schedule.

Overall engineering has advanced to approximately 65% completion since the September 2025 Feasibility Study. Geotechnical drilling of 2,871 metres was completed in the project area to support detailed engineering and design. Engineering-completion percentages reflect internal project management estimates and do not represent changes to the Feasibility Study's assumptions, results or conclusions.

Also in June 2026, the Company secured direct access to a construction-phase water source through an 18-month lease agreement for abstraction from the Jequitinhonha River in the municipality of Araçuaí, enabling the Company to exercise its existing water rights under the water-use authorization issued by the Agência Nacional das Águas. The Company completed a detailed three-year mine plan and a refined life-of-mine plan for Bandeira with NCL Ingeniería y Construcción SpA, supporting the Feasibility Study, and completed basic engineering for the underground mine portals with Tractebel Engineering, enabling portal construction tendering to advance. Tenders were also issued for the Project's main crushing units, with supplier proposals received and under evaluation.

Offtake Agreements and Project Financing

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 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 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 a minimum reference price under the agreements while preserving exposure to market reference prices above that level.

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.

In July 2024, the Company completed a royalty agreement with Appian Capital Advisory LLP ("Appian") which granted a 2.25% gross revenue royalty to Appian in exchange for upfront cash consideration of US$20 million ($27.5 million). These proceeds have been used to advance the development of the Bandeira project.

The Company continues to discuss other financing opportunities with global and domestic mining financing groups. These initiatives are progressing as the capital cost estimate is firmed and permitting risks are mitigated.

<u>Project Permitting</u>

The Company submitted its application for a Concomitant Environmental License ("LAC", or Licença Ambiental Concomitante) for the Bandeira operation on January 26, 2024. The license is comprised of a preliminary license (LP - Licença Prévia), an installation license (LI – Licença de Instalação), and an Operating License (LO - Licença de Operação).

In February 2025, the Minas Gerais State Environmental Foundation (FEAM), the technical body under the State Secretariat for the Environment and Sustainable Development (SEMAD), issued a positive technical endorsement of the Bandeira Project. During subsequent review by COPAM (the State Council for Environmental Policy of Minas Gerais), a federal prosecutor requested that considerations relating to a Quilombola traditional community located approximately 11 km north of Bandeira be further evaluated. While this community lies outside of the defined impact zone, the request reflects broader state-wide discussions regarding impact radii and consultation practices raised by the Federal Public Prosecutors Office (MPF) across lithium projects in Minas Gerais. In March 2026, the Minas Gerais State Secretariat for Social Development (SEDESE) formally recognized the Free, Prior and Informed Consultation ("FPIC") as a necessary step for the licensing process to advance, confirming the approach the Company had already voluntarily adopted and conducted under the coordination of the competent federal agency.

The consultation advanced through key stages during the first half of 2026, and the resulting Quilombola Component Study and Quilombola Basic Environmental Plan, which document any potential impacts to the community and the corresponding compensation measures, were finalized and submitted for review in June 2026. The final consultation meeting, at which the community formally states its position, is the remaining step of the process, and the Company is working with the competent authorities to hold it in the third quarter of 2026.

Engagement extended well beyond the consultation process itself. Between March and July 2026, the Company dedicated approximately 310 hours to engagement activities, predominantly with the host communities of Barreiro and Fazenda Velha, including precautionary condition surveys covering approximately 112 properties, and also with public authorities, including the President of the Minas Gerais State Environmental Foundation (FEAM). This is in addition to more than 4,500 personnel hours and over 700 attendees engaged with the Quilombola community during the field stages and the first consultation meeting. During the period, the Company also contracted a third-party managed platform and began implementing "Fale Com a Gente", a dedicated grievance and communication channel for host communities, supported by a formal grievance, whistleblowing and non-retaliation policy.

The Company continues to engage with relevant regulatory agencies, community stakeholders and traditional communities through ongoing engagement. The consultation process undertaken at Bandeira reflects the Company's commitment to responsible development and applicable regulatory and consultation requirements. The outcome and timing of the LAC process remain subject to regulatory review and applicable consultation requirements.

Project Outlook and Milestones

With engineering advancing during ongoing permitting activities, the project is proceeding towards the final stages of design and approaching construction. Below is a summary of the near-term objectives identified by the Company as key items before any final investment decision and potential construction start targeted for November 2026, subject to receipt of the LAC and completion of project financing:

1. **Arrange suitable offtakes covering the initial 5 years of the project to support financing and pay-back period cashflow**. – *Complete. See Yahua and Grand Chen announcements in March 2026.*

2. **Progress engineering from feasibility study to detailed level, increasing confidence in capital cost estimate** – *In Progress. EPCM teams fully mobilized with support from Promon, Lycopodium, RTEK, SRK, and NCL. 65% completion on detailed engineering with firm bids supporting the capital cost estimate.*

3. **Receive state approval of the LAC permitting process granting the LP, LI, and LO required to initiate site construction.** – *In Progress. The Company has advanced community consultation activities intended to support the COPAM review process.*

Secure project financing for construction – In Progress. The US$20 million Appian royalty (July 2024) has funded early development work at Bandeira. The sale of Salinas properties, closed on August 25, 2026, will provide a further US$37.5 million (US$30.0 million received at closing) to fund early works, procurement and long-lead commitments (see Subsequent Events) and general corporate purposes. Discussions are underway with mining focused finance groups for supply of project funding, and the offtakers have agreed to provide a prepayment facility of up to US$20 million, subject to definitive agreements, adding flexibility for project financing and commissioning working capital.

Ongoing engineering work has not identified changes that management currently expects would materially alter the current Feasibility Study's cost, execution or project strategy assumptions.

Key project objectives for the third quarter of 2026 are:

(i) Completing community consultation activities
(ii) Closing the Salinas transaction and receiving the US$30.0 million due at closing;
(iii) Awarding the mine operations contractor tender;
(iv) Advancing detailed engineering and firm-bid pricing toward a final capital cost estimate
(v) Place remaining long-lead item purchase orders in line with permitting timeline; and
(vi) Further advancing definitive documentation for more elements of construction financing.

Lithium Market Commentary

Lithium prices staged a strong recovery in the first quarter of 2026. According to Benchmark Mineral Intelligence's Q1 2026 Lithium Forecast (April 2026), spodumene concentrate (6%, FOB Australia) rose 29% during the quarter to US$2,014/t as at March 31, 2026, while lithium carbonate (CIF Asia) gained 76% to US$19,975/t, driven by supply disruptions and strengthening demand expectations. Spot pricing has since remained in the US$2,000–2,300/t range for spodumene concentrate, above the price assumptions applied in the Company's economic model and well above the US$1,000/t floor price secured under the Company's offtake agreements.

Benchmark forecasts lithium carbonate to average US$18,500/t in the second quarter of 2026, supported by low inventories and limited short-term supply responsiveness, with prices expected to firm through the third quarter as automakers restock ahead of the Q4 manufacturing season. Longer term, Benchmark projects global lithium demand to grow approximately 8% per annum to 3.8 million tonnes LCE by 2035, with the market entering a structural deficit in 2033: supportive conditions for Bandeira's planned entry into production. (Source: Benchmark Mineral Intelligence, Lithium Forecast, Q1 2026.)

Mineral Exploration Properties

Itinga Region Properties

Bandeira Project

On December 23, 2020, MGLIT acquired seven mineral licenses from Falcon Metais Ltda covering more than 1,300 hectares in the prolific Aracuai lithium province. A portion of the project occurs immediately south of the CBL lithium mine and plant, and immediately north of the large Barreiro and South Xuxa lithium deposits of Sigma Lithium Corp. On May 29, 2024, the Company announced the results from its NI 43-101 compliant Feasibility Study.

On May 6, 2025, the Company reported an updated NI 43-101 Mineral Resource Estimate ("MRE") and on September 17, 2025, the Company reported an updated Feasibility Study for the Bandeira Project. (See Definitive Feasibility Study Update).

Galvani Mining Licenses (Outro Lado)

In September 2022, the Company completed the acquisition of a 100% ownership interest in two lithium mining licenses (the "**Licenses**") in Minas Gerais, Brazil from Galvani Nordeste Mineracao Ltda. ("**Galvani**") through its wholly-owned subsidiary, MGLIT. This includes the Outro Lado Project on which an MRE was reported in June 2023. (See Mineral Resources section below).

The two large Licenses are located approximately 2 km to the west of the large Xuxa lithium deposit of Sigma Lithium and approximately 3 km to the northwest of the CBL lithium mining operation. Following the agreement to sell the Salinas properties, Outro Lado is the Company's principal satellite deposit, representing an opportunity to add incremental resources approximately 7 km from the flagship Bandeira project.

Borges claims

In December 2022, the Company, through MGLIT, acquired 3 mineral claims totaling 1,478 hectares from Mineracao Borges Ltda. These claims are located along trend with known lithium deposits including CBL's deposit and Sigma Lithium's Xuxa and Barreiro deposits. Upon closing, the Company paid R$500,000 ($129,133) upon execution of the conveyance documents transferring the claims 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 tonnes 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 to remove two of the three claims from the scope of the transaction, reduce the Borges MRE Milestone to R$7 million ($1.9 million), and extend the deadline to satisfy the milestone to June 5, 2026. Subsequent to quarter-end, 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 into R$7 million ($1.9 million) for the original claim and R$3 million ($0.8 million) for the reinstated claim. In consideration for these amendments, the Company paid R$50,000 ($13,805) to the vendor. The Company may terminate this agreement at any time without financial penalty.

Vale Litio claims

In January 2023, the Company, through MGLIT, entered into a binding share purchase agreement with Exotic Mineração Ltda. ("**Exotic**"), pursuant to which MGLIT has the option to acquire up to a 100% equity interest in Vale Do Litio Mineracao Ltda. ("**Vale Litio**"). Vale Litio has a 100% beneficial ownership interest in 3 lithium mining claims in Minas Gerais covering 3,140 hectares. The first of three claims cover 1,738 hectares and is located adjacent to the Galvani target. The other two claims are located in the northeastern portion of the prospective Araçuai-Itinga Pegmatite region.

Pursuant to the terms of the agreement, in January 2023 the Company acquired an initial 2.78% equity ownership interest in Vale Litio by paying R$900,000 ($232,834) in cash to Exotic. The Company made additional payments since in accordance with the terms of the agreement and amended the agreement in both February 2024 and February 2025:

- 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); and
- R$50,000 ($12,376) in cash to acquire an additional 0.15% equity ownership in Vale Litio on or before July 20, 2024 (paid in July 2024); and

The final payment requirements were recently amended by the Company and Exotic as described below:

- R$500,000 split into four instalments of R$125,000 to be paid 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; and
- R$29,450,000 (approximately $8.1 million) in cash to acquire the remaining 90.85% equity ownership in Vale Litio on or before January 20, 2027.

If the Company establishes a NI 43-101 compliant MRE on the Vale Litio Claims of at least six million tonnes with an average content greater than 1.30% Li_2O, the Company shall pay Exotic a cash bonus of R$10,000,000.00 (approximately $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 (approximately $1.4 million). This drilling requirement is waived if the Company completes the acquisition of 100% of Vale Litio.

As of June 30, 2026, the Company has an 8.75% equity ownership interest in Vale Litio.

Salinas Properties (see Subsequent Events)

<u>Neolit acquisition - Salinas Claims</u>

In March 2023, the Company acquired a 100% interest in Neolit Minerals Participações Ltda. ("Neolit"). Pursuant to the purchase agreement, the Company paid a cash payment of US$2,031,005 ($2,804,208) on closing, as well as a cash payment of US$2,570,767 ($3,549,458) to settle all existing liabilities of Neolit on closing. As well, the Company issued 4,000,000 common shares of the Company and 1,500,000 common share purchase warrants to the vendor. These warrants are exercisable at a price of $2.25 for a period of three years and only vest if the Company establishes an independent NI 43-101 compliant MRE on the Salinas properties, of at least 20 million tonnes with an average grade greater than 1.3% Li_2O. A final cash payment of US$1,500,000 ($2,090,850) was due on September 10, 2024. This amount remains outstanding at the date of this report and is accruing interest at a rate of prime plus 5%. The founder and CEO of Neolit, Dr. André Guimarães, joined the Company as VP Business Development after the acquisition.

Neolit had a 40% ownership interest in the Salinas properties as of March 2023 and acquired an 85% ownership interest in the properties in October 2023. In June 2024, Neolit acquired the remaining 15% interest for cash consideration of US$2,000,000 ($2,736,200), the issuance of 2,500,000 common shares of the Company valued at $2,000,000, being the fair market value of the shares on the date of issuance, and a deferred payment of US$1,000,000 ($1,378,975) paid on April 4, 2025.

Exploration activity

The Company began drilling select targets in April of 2022, and to date has completed over 81,000 metres of drilling at the Itinga properties and over 35,000 metres at the Salinas project, now referred to as the Baixa Grande project, yielding excellent results which were in line with nearby projects and established deposits.

The Company had identified at least twelve different NE-SW trending lithium-bearing spodumene rich pegmatites ("SRP"). These mineralized bodies ranged from 1 to 24 metres in width and traced over a 1 km strike length. The average depth of the mineralized zones intersected to date is approximately 200 metres, however the Company intersected strong lithium grades and thicknesses up to 700 metres down dip. The style of mineralization found to date, characterized by several staked pegmatite vein sets, is consistent with other nearby lithium deposits.

(in Canadian dollars, unless otherwise noted)

A maiden NI 43-101 MRE was announced for the Bandeira and Galvani deposits in June 2023. In April 2024, the Company completed an updated MRE for the Bandeira deposit, prepared by GE21 Consultoria Mineral Ltda. ("GE21"). In May 2024, the Company announced the results of an NI 43-101 compliant Feasibility Study for Bandeira, prepared by AtkinsRéalis. In May 2025, the Company released an updated MRE for the Bandeira project and in September 2025, an updated Definitive Feasibility Study was reported. Please see Mineral Resources and Definitive Feasibility Study results below.

The Baixa Grande Project is located in the Araçuaí Pegmatite District, an established lithium district in Brazil. The Salinas properties are located approximately 100 km north of the Itinga claims. Since acquiring the Baixa Grande project through the Neolit acquisition, the Company completed soil geochemistry to help identify priority drill targets. Drill assay results so far have extended the mineralization at Salinas by at least 250 metres along strike. The Company completed an initial MRE at Salinas, prepared by GE21, in 2024. An updated MRE was completed in January 2025, with the technical report filed on February 27, 2025 (please see Mineral Resources below). Refer to the Company's news releases on www.sedarplus.ca for drilling highlights and assay results for the diamond drill holes completed to date.

A summary of exploration activity is presented below:

1) Itinga (including Bandeira and Outro Lado)

Activity	Accumulated	Comments
Soil Samples	9,442	
Rock Samples	1,008	All Targets
Cut Lines (Km)	93.38	Bandeira and Outro Lado
Geological Mapping (Km)	563	
Geological Mapping Points	6,258	All Targets
Geological Trench Mapping (Km)	14.86	
Geological Garimpos Mapped	572	
Geotechnical Logging	39,266	
Geotechnical Drilling	2,871	SPT, Rotary and Percussion
Ground Geophysics (km)	16.44	
Galvani Diamond Drilling (m)	7,954	64 DDH Completed
Bandeira Diamond Drilling (m)	60,278	297 DDH Completed

(in Canadian dollars, unless otherwise noted)

2) Salinas (including Baixa Grande) (See Subsequent events)

Activity	Accumulated	Comments
Soil Samples	5,136	
Rock Samples	525	All Targets
Cut Lines (Km)	159	All Targets
Geological Mapping (Km)	370	
Geological Mapping Points	5,402	All Targets
Geological Garimpos Mapped	105	
Geotechnical Logging	4,256	
Ground Geophysics (km)	2.56	
Salinas Diamond Drilling (m)	35,734	167 DDH Completed

On August 25, 2026, subsequent to the quarter end, the Company completed the sale of the Salinas group of lithium properties, including the Baixa Grande deposit, to PLS Brasil Mineração Ltda., a wholly-owned subsidiary of PLS Group Limited, for total cash consideration of US$37.5 million, retaining a 2.0% royalty on future spodumene sales (see Subsequent Events).

Mineral Resource Estimate

On June 27, 2023, the Company announced its maiden NI 43-101 compliant MRE on the Bandeira Project and Outro Lado Project, which was prepared by SGS. The MRE for the Bandeira Project was updated on April 12, 2024 and again on May 6, 2025. This new MRE has been included in the updated Definitive Feasibility Study issued in September 2025.

Mineral Resource Estimate for the Bandeira Project (May 2025)				
Deposit / Cut-Off Grade	Category	Resource (Mt)	Grade (% Li2O)	Contained LCE (kt)
Bandeira (0.5% Li2O)	Measured	3,360,000	1.38	114700
	Indicated	23,910,000	1.33	786400
	Measured + Indicated	**27,270,000**	**1.34**	**901,100**
	Inferred	**18,550,000**	**1.35**	**614,700**

1. The Mineral Resource Estimation (MRE) effective date is November 20, 2024.
2. The MRE has been prepared by Carlos J. E. Silva (MAIG #7868) in conformity with the CIM Estimation of Mineral Resource and Mineral Reserves Best Practices guidelines.
3. The report adheres to the Canadian Securities Administrators' NI 43-101 requirements.
4. Mineral resources are not mineral reserves and have not demonstrated economic viability. There is no certainty that any portion of the mineral resource will be converted into a mineral reserve.
5. Figures are rounded to appropriate levels of precision, and discrepancies may occur due to rounding
6. The spodumene pegmatite domains were modelled using composites with Li_2O grades exceeding 0.3%.
7. Grade estimation was conducted using Ordinary Kriging within Leapfrog software.
8. The MRE is confined to the Lithium Ionic Bandeira Target Claims (ANM) and includes only fresh rock domains.
9. The MRE was constrained by the Reasonable Prospects for Eventual Economic Extraction (RPEEE) using a grade shell with a cut-off of 0.5% Li_2O for underground resources.
10. Inferred mineral resources are conceptual in nature and can only form the basis for economic analyses with further drilling and evaluation.

(in Canadian dollars, unless otherwise noted)

Maiden Mineral Resource Estimate for the Outro Lado Project (June 2023)				
Deposit / Cut-Off Grade	Category	Resource (tonnes)	Grade (% Li2O)	Contained LCE (t)
Outro Lado (Galvani) Underground (0.8% Li2O)	Measured	2,577,915	1.47	93,691
	Indicated	393,370	1.43	13,908
	Measured + Indicated	**2,971,285**	**1.46**	**107,599**
	Inferred	**415,767**	**1.48**	**15,168**

1. The spodumene pegmatite domains were modeled using composites with Li_2O grades greater than 0.3%
2. The mineral resource estimates were prepared in accordance with the CIM Standards, and the CIM Guidelines, using geostatistical and/or classical methods, plus economic and mining parameters appropriate to the deposit.
3. Mineral Resources are not ore reserves and are not demonstrably economically recoverable.
4. Grades reported using dry density.
5. The effective date of the MRE was October 11, 2023.
6. The MRE numbers provided have been rounded to the estimate relative precision. Values cannot be added due to rounding.
7. The MRE is delimited by Lithium Ionic Bandeira Target Claims (ANM).
8. The MRE was estimated using ordinary kriging in 12m x 12m x 4m blocks.
9. The MRE report table was produced in Leapfrog Geo software.
10. The reported MRE only contains fresh rock domains.
11. The MRE was restricted by grade shell using 0.5% Li_2O cut-off.

On January 14, 2025, the Company announced an updated NI 43-101 compliant MRE on the Baixa Grande Project (see Subsequent Events), prepared by GE21. This incorporates data from 35,734 metres of drilling completed between May 2023 and September 2024.

Mineral Resource Estimate for the Baixa Grande Project (December 2024 Cut-off)				
Deposit / Cut-Off Grade	Category	Resource (Mt)	Grade (% Li2O)	Contained LCE (kt)
Open-pit (0.5% Li2O)	Measured	1.08	1.19	31.86
	Indicated	5.44	1.10	147.72
	Measured + Indicated	**6.52**	**1.11**	**179.58**
	Inferred	**11.67**	**0.97**	**280.73**
Underground (0.5% Li2O)	**Measured + Indicated**	**0.00**	**0.00**	**0.00**
	Inferred	**1.23**	**0.83**	**25.19**
TOTAL	**Measured + Indicated**	**6.52**	**1.11**	**179.58**
	Inferred	**12.90**	**0.96**	**305.92**

1. The spodumene pegmatite domains were modeled using composites with Li_2O grades greater than 0.3%
2. The mineral resource estimates were prepared in accordance with the CIM Standards, and the CIM Guidelines, using geostatistical and/or classical methods, plus economic and mining parameters appropriate to the deposit.
3. Mineral Resources are not ore reserves and are not demonstrably economically recoverable.
4. Grades reported using dry density.
5. The effective date of the MRE is December 2, 2024.
6. The QP responsible for the MRE is geologist Leonardo Soares (MAIG #5180).
7. The MRE numbers provided have been rounded to the estimate relative precision. Values cannot be added due to rounding.
8. The MRE is delimited by Lithium Ionic Baixa Grande Target Claims (ANM).
9. The MRE was estimated using ordinary kriging in 16m x 16m x 4m blocks.
10. The MRE report table was produced in Leapfrog Geo software.
11. The reported MRE only contains Fresh Rock Domains.
12. The reported MRE was restricted by interpreting suitable-grade shells using a 0.5% Li_2O cut-off for both Open pit and Underground resources.
13. The MRE was restricted by a pit shell using a selling price of 2750 US$/t Conc., Mining cost of 2.50 US$/ton mined, processing cost of 12.50 US$/ ton ROM and a selling cost of 112.56 US$/t conc.

Sustainability

Responsible and sustainable development remains at the core of Lithium Ionic's approach to advancing the Bandeira Project. The Company has established a suite of corporate policies to guide responsible business practices and is progressively working toward alignment with internationally recognized frameworks, including the International Finance Corporation ("IFC") Performance Standards and the Initiative for Responsible Mining Assurance ("IRMA") Standard. As a signatory to the United Nations Global Compact ("UNGC"), Lithium Ionic also supports its Ten Principles relating to human rights, labour, the environment and anti-corruption. This commitment to internationally recognized practices is supported by a focus on transparency, including public disclosure of the Company's sustainability performance through its annual Sustainability Report, ESG Scorecard and UN Communication on Progress.

The Bandeira Project is being advanced with reference to responsible development practices in the region, reflected in the Company's focus on regulatory compliance, transparent communication and comprehensive engagement to meet applicable consultation requirements. Lithium Ionic has taken a considered approach to these processes by prioritizing participation and ongoing dialogue with potentially affected communities as the Project advances. The Company is also investing in the communities surrounding Bandeira through local infrastructure improvements and targeted social investments that respond to identified community priorities, including education, environmental awareness and broader community development. Together, these efforts are intended to strengthen long-term community relationships and support community development initiatives in the region.

This commitment to responsible development is also reflected in the design and planning of the Bandeira Project. The updated Feasibility Study incorporates a long-term underground mining strategy designed to reduce surface disturbance, dust and noise, together with an optimized processing flowsheet, water recycling and dry-stacked tailings intended to reduce the Project's environmental footprint and improve water efficiency. Together, these measures demonstrate the Company's focus on integrating environmental and social considerations into project planning and minimizing potential impacts throughout the life of the Project.

Looking ahead, the Company remains committed to continuing to develop its responsible-development practices by strengthening internationally aligned practices, minimizing environmental and social impacts, and supporting community development initiatives in the region.

Liquidity and Capital Resources

As at June 30, 2026, the Company had working capital of $1,394,202 (December 31, 2025 - $14,438,133). Working capital, calculated as current assets less current liabilities, is a non-IFRS performance measure. In the mining industry, it is a common non-IFRS performance measure but does not have a standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, we and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. This non-IFRS measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

(in Canadian dollars, unless otherwise noted)

		June 30, 2026		December 31, 2025
Current assets:				
Cash and cash equivalents	$	6,015,104	$	17,521,608
Amounts receivable		229,690		435,263
Prepaid expenses		619,987		696,943
		6,864,781		18,653,814
Current liabilities:				
Accounts payable and accrued liabilities		5,292,232		4,101,642
Short-term lease liability		178,347		114,039
		5,470,579		4,215,681
Working capital, current assets less current liabilities	$	1,394,202	$	14,438,133

In July 2024, the Company completed a royalty arrangement with Appian for gross proceeds of US$20 million ($27.5 million). Transactions costs totaled $1.5 million. The Company granted Appian a gross revenue royalty of 2.25%, with an option to buy back the royalty within the first 5 years for a payment of US$67.5 million (approximately $91.1 million). The proceeds are intended to support initial development of the Bandeira project. The royalty obligations are secured by charges and share pledges over substantially all current and future assets related to the Bandeira project. The Company classified the royalty arrangement as a liability at amortized cost at June 30, 2026. The royalty-based obligation is recognized as a long-term liability at June 30, 2026.

The Company, through its subsidiary MGLIT, is party to right-of-use lease agreements for warehouses and dormitories in Brazil. These agreements are for original terms of between 12 and 57 months. The Company also holds right-of-use leases for its corporate offices in Canada.

Future payments for right-of-use leases and financing agreements are detailed 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

The Company has a need for equity financing for working capital and exploration and development of its properties. 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 doubt on the Company's ability to continue as a going concern. 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 (see Subsequent Events). Sale of Salinas group of properties is discussed further under Subsequent Events.

(in Canadian dollars, unless otherwise noted)

Results of Operations

Three months ended June 30, 2026

During the three months ended June 30, 2026, the Company recorded a loss of $5,931,618 or $0.03 per share, with other comprehensive income of $288,667, for a total comprehensive loss of $5,642,951. During the comparative period ended June 30, 2025, net loss was $1,818,244 or $0.01 per share and comprehensive loss was $1,831,209.

During the three and six months ended June 30, 2026, the Company capitalized expenses related to the Bandeira project, including accretion expense related to the royalty-based obligation. Exploration and evaluation expenses continued to be expensed for non-Bandeira related projects. Exploration and evaluation expenses are presented in the tables below.

	Three months ended June 30, 2026	2025
Drilling and geophysics	177,600	138,388
Mining licenses and land acquisition	-	1,863
Technical reports	199,903	68,740
Project overhead costs	84,251	54,519
Labour	-	976
Land management fees, taxes and permits	1,588	19,183
Professional fees	6,971	5,269
Travel, meals and accommodation	-	(16)
Total exploration and evaluation expenses	**$ 470,313**	**$ 288,922**

Much of the activity during the three months ended June 30, 2026 was focused on project development at Bandeira, which resulted in lower exploration costs for the current period compared to the same period last year. The Company capitalized $6,607,897 in project development costs during the three months ended June 30, 2026, including $1,819,405 in accretion of royalty-based obligations and $4,757 in lease amortization, net of a $41,181 depreciation adjustment arising on the derecognition of right-of-use leases. The Company capitalized $4,205,974 in project development costs during the three months ended June 30, 2025, including $1,627,625 in accretion of royalty-based obligations, $41,755 in depreciation and $4,772 in lease amortization.

Other expenses for the three months ended June 30, 2026 included:

- $990,739 in consulting and management fees (June 30, 2025: $883,985).
- $2,191,407 in share-based compensation (June 30, 2025: $830,617).
- $886,395 in professional fees (June 30, 2025: $194,583).
- $289,864 in office and general costs (June 30, 2025: $231,323).
- $211,740 in shareholder communications (June 30, 2025: $188,120).

The increase in loss compared to the second quarter of 2025 primarily reflects an increase of $0.2 million in exploration and evaluation expenses (mainly technical reports and drilling at the non-Bandeira properties) compared to Q2 2025 since exploration activity relating to non-Bandeira properties was lower in Q2 2025, share-based compensation on the January 2026 RSU grants ($2.2 million), higher professional fees related to the OSC enforcement matter and the related governance response, and a foreign exchange loss of $762,422 (June 30, 2025: gain of $840,809) because of the strengthening of the US dollar and Brazilian real against the Canadian dollar during the period. During the current quarter, $8,215 in interest income was earned (June 30, 2025: $31,069).

(in Canadian dollars, unless otherwise noted)

Six months ended June 30, 2026

During the six months ended June 30, 2026, the Company recorded a loss of $12,558,148 or $0.06 per share, with other comprehensive income of $407,224, for a total comprehensive loss of $12,150,924. During the comparative period ended June 30, 2025, net loss was $4,589,378 or $0.03 per share, and comprehensive loss was $4,602,156.

The Company capitalized $12,697,940 in project development costs during the six months ended June 30, 2026, including $3,477,572 in accretion of royalty-based obligations, $30,814 in depreciation and $8,502 in lease amortization. The Company capitalized $9,315,637 in project development costs during the six months ended June 30, 2025, including $3,336,690 in accretion of royalty-based obligations, $87,986 in depreciation and $8,677 in lease amortization.

	Six months ended June 30, 2026	Six months ended June 30, 2025
Drilling and geophysics	419,242	368,949
Mining licenses and land acquisition	-	99,599
Technical reports	224,062	184,096
Project overhead costs	169,876	99,592
Labour	-	1,383
Land management fees, taxes and permits	14,158	27,165
Professional fees	10,923	12,754
Travel, meals and accommodation	-	41,170
Total exploration and evaluation expenses	**$ 838,261**	**$ 834,708**

Other expenses for the six months ended June 30, 2026 included:
- $1,914,128 in consulting and management fees (June 30, 2025: $2,078,339).
- $5,397,613 in share-based compensation (June 30, 2025: $830,617).
- $1,412,463 in professional fees (June 30, 2025: $674,804).
- $1,219,882 in office and general costs (June 30, 2025: $608,507).

The increase in loss for the six months ended June 30, 2026 compared to the prior-year period primarily reflects share-based compensation of $5.4 million (June 30, 2025: $0.8 million) relating to the stock options and RSUs granted in January 2026; a foreign exchange loss of $1.2 million compared to a gain of $0.8 million in the prior year, as the US dollar and Brazilian real strengthened against the Canadian dollar; higher professional fees related to the OSC enforcement matter and the related governance response; and office and general costs that include approximately $0.6 million of taxes paid in Brazil relating to intercompany funding transactions.

(in Canadian dollars, unless otherwise noted)

Summary of quarter results

The following table presents selected financial information for each of the most recent eight quarters:

Period	Interest income $	Income (Loss) $	Other comprehensive income (loss) $	Net comprehensive income (loss) $	Income (Loss) per share, basic and diluted $
Q2- June 2026	8,215	(5,931,618)	288,667	(5,642,951)	(0.03)
Q1- March 2026	32,570	(6,626,530)	118,557	(6,507,973)	(0.03)
Q4- December 2025	57,643	(3,950,758)	(109,324)	(4,060,082)	(0.02)
Q3- September 2025	12,478	4,627,814	(24,973)	4,602,841	0.03
Q2- June 2025	31,069	(1,818,244)	(12,965)	(1,831,209)	(0.01)
Q1- March 2025	185,745	(2,771,134)	187	(2,770,947)	(0.02)
Q4- December 2024	145,812	(2,900,155)	6,192	(2,893,963)	(0.02)
Q3- September 2024	103,264	(4,567,961)	-	(4,567,961)	(0.03)

Income/(loss) and comprehensive income/(loss) fluctuates with the level of exploration and corporate activity, share-based compensation, and foreign exchange movements, and can vary period to period. Exploration and evaluation expenditures are expensed as incurred, while development costs relating to the Bandeira project have been capitalized since Q3-2024, which reduced the quarterly losses through 2024 and 2025. The income recognized in Q3-2025 resulted from a gain on remeasurement of the royalty-based obligation following the updated Feasibility Study. The increase in loss in Q1-2026 was due to share-based compensation of $3.2 million relating to the stock options and RSUs granted in January 2026, of which the stock options vested in full on grant, and approximately $0.6 million of Brazilian tax on intercompany funding transactions.

The Q2 2026 loss reflects continued share-based compensation expense of $2.2 million on the January 2026 RSU grants, higher professional fees associated with the regulatory and governance matters, foreign exchange loss and increased exploration expenditures. The decrease from Q1 2026 reflects the non-recurrence of the fully vested stock options charge and the Brazilian tax on intercompany funding transactions.

Cash flows

Six months ended June 30, 2026

During the six months ended June 30, 2026, the Company used cash of $4,485,154 in operating activities (June 30, 2025: $5,108,819). Non-cash working capital provided $1,466,593 during the six months ended June 30, 2026 (June 30, 2025: used $798,719). The net change in non-cash working capital reported on the cash flow statement identifies the changes in current assets and current liabilities that occurred during the period. An increase in a liability (or a decrease in an asset) is a source of funds, while a decrease in a liability (or an increase in an asset) account is a use of funds.

During the six months ended June 30, 2026, investing activities used $8,991,072 in cash (June 30, 2025: $6,032,450). The Company capitalized $8,827,811 under development costs for the six months ended June 30, 2026 (June 30, 2025: $6,019,554). The Company also acquired $163,261 in equipment during the current period (June 30, 2025: $12,896).

During the six months ended June 30, 2026, cash provided by financing activities was $1,940,300 including proceeds from exercise of warrants of $2,050,714 and payments on lease liabilities of $110,414 (June 30, 2025: cash used of $124,555 being payments on lease liabilities).

The effect of exchange rate changes on cash held in foreign currency provided $29,422 in cash (June 30, 2025: used $792,390 in cash).

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. 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):

(in Canadian dollars, unless otherwise noted)

	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.

(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. As the Company is not currently a producing entity, commodity price risk is not expected to be a significant risk in the short term.

Critical Accounting Policies

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 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.

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. Judgment 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 has 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. Judgment 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.

Changes in accounting policies including initial adoption

Certain amendments to existing standards issued by the IASB became mandatory for accounting periods commencing on or after January 1, 2026, including amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments – Disclosures*, which clarify the derecognition of financial liabilities settled through electronic payment systems and the assessment of the contractual cash flow characteristics of financial assets with ESG-linked and other similar contingent features. The adoption of these amendments had no impact on the Company's condensed interim consolidated financial statements.

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which replaces IAS 1 *Presentation of Financial Statements* and introduces new categories and required subtotals in the statement of profit and loss, disclosure of management-defined performance measures and 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, with retrospective application required. The Company is assessing the impacts of the adoption of this standard on its financial statements. Refer to Note 3 of the condensed interim consolidated financial statements for the three and six months ended June 30, 2026.

Commitments and Contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment and indigenous groups. These laws and regulations are continually updated and may become more restrictive. Based on currently available information, 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.

The Company is 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.

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.

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.

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 at June 30, 2026. As a triggering event has not taken place at June 30, 2026, these amounts have not been recorded in the condensed interim consolidated financial statements for the three and six months ended June 30, 2026.

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 tonnes 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.

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 MRE on the Vale Litio claims of at least six million tonnes with an average content greater than 1.3% Li2O, 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.

The Company has terminated the option agreement (the "K2 Option Agreement") originally announced on July 3, 2024, with K2 Mineração e Exportação EIRELI, Super Clássico Comércio, Importação e Exportação Ltda. and Minerales Empreendimentos, Mineração e Participações Ltda., covering certain mineral claims located in Itinga, within the Curralinho Pegmatite Field of the Araçuaí Pegmatite District, Minas Gerais, Brazil.

As part of the termination, Neolit Minerals Participações Ltda., the Company's wholly owned Brazilian subsidiary, is in process to divest its minority interests in the special purpose companies ("SPCs") associated with the K2 Option Agreement, completing the Company's withdrawal from the transaction.

The decision to terminate the agreement reflects Lithium Ionic's continued focus on disciplined capital allocation and prioritizing its most advanced and value-accretive assets in Brazil's Lithium Valley, including the advancement of the Bandeira Project towards construction.

<u>Transactions with Related Parties</u>

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 some 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.

(in Canadian dollars, unless otherwise noted)

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.

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.

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 million ($2.7 million), 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 payment 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.

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**

Off-balance sheet arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Outstanding Share Data

As at the date of this MD&A, the Company has:

1) 197,301,209 common shares outstanding.
2) 23,811,559 warrants outstanding, with expiry dates ranging from September 29, 2027 to October 2, 2027. If all the warrants were exercised, 23,811,559 shares would be issued for gross proceeds of $21,430,403.
3) 18,077,000 options outstanding, with expiry dates ranging from April 20, 2027 to July 11, 2029. If all the options were exercised, 18,077,000 shares would be issued for gross proceeds of $20,106,880.
4) 10,625,000 RSUs outstanding which vest on dates ranging from January 14, 2027 to January 14, 2029.

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.

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.

Risk Factors

Mining exploration inherently contains a high degree of risk and uncertainty, which even a combination of careful evaluation, experience and knowledge may not eliminate. The following are certain factors relating to the business of the Company, which investors should carefully consider when making an investment decision concerning the Company's shares. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. An investment in the Company is speculative. An investment in the Company will be subject to certain material risks and investors should not invest in securities of the Company unless they can afford to lose their entire investment. The following is a description of certain risks and uncertainties that may affect the Company.

Substantial Capital Requirements and Liquidity

Substantial additional funds for the establishment of the Company's current and planned operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, current financial conditions, revenues, taxes, capital expenditures, operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and pursue only those projects that can be funded through cash flows generated from its existing operations, if any.

Financing Risks and Dilution to Shareholders

The Company will have limited financial resources, no operations, and no revenues. Even if the Company's exploration program on one or more of the properties is successful, additional funds will be required for the purposes of further exploration and development. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favorable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity which would result in dilution to the Company's shareholders.

Limited Operating History

The Company has a limited operating history. Although the Company has held certain material property interests for several years, it has no history of mining operations, revenue generation or production. The Company has yet to generate a profit from its activities. The Company will be subject to the business risks and uncertainties associated with companies advancing mineral projects through exploration, development and construction, including the risk that it will not achieve its growth objective. The Company anticipates that it may take several years to achieve positive cash flow from operations.

Calculation of Mineral Resources and Mineral Reserves

There is a degree of uncertainty attributable to the calculation and estimates of resources and reserves and the corresponding metal grades to be mined and recovered. Until resources and reserves are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only. Any material change in the quantity of mineral resources and/or reserves, grades and recoveries may affect the economic viability of the Company's operations.

Fluctuating Mineral Prices

The economics of mineral exploration are affected by many factors beyond the Company's control, including commodity prices, the cost of operations, variations in the grade of minerals explored and fluctuations in the market price of minerals. Depending on the price of minerals, the Company may determine that it is impractical to continue a mineral exploration operation.

Mineral prices are prone to fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals that may be found on the Company's properties.

Regulatory, Permit and License Requirements

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations that may concern, among other things, exploration, development, production, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules because of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for facilities and the conduct of exploration and development operations on its properties will be obtainable on reasonable terms, or that such laws and regulations will not have an adverse effect on any exploration or development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs, or require abandonment or delays in the development of new or existing properties.

Title to Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of mineral properties may be disputed. The Company cannot give assurance that title to some or all the Company's interest in its properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Company does not have the interest it understands it has in its properties could cause the Company to lose any rights to explore, develop and mine any minerals on such properties without compensation for its prior expenditures relating thereto. See 'Regulatory Proceedings, Litigation and Governance Changes' and 'Subsequent Events' regarding the statement of claim filed by Emerita Resources Corp. on July 29, 2026 asserting an equitable interest in certain mining claims comprising the Bandeira Project. The Company is the sole legal and beneficial owner of the Bandeira Project and disputes the allegations.

Competition

The mineral exploration and development industry is highly competitive. The Company will have to compete with other companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of minerals claims, leases and other mineral interests, as well as for the recruitment and retention of qualified employees and other personnel. Failure to compete successfully against other companies could have a material adverse effect on the Company and its prospects.

Reliance on Management and Dependence on Key Personnel

The success of the Company will be largely dependent upon the performance of its directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers, or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Environmental Risks

The Company's exploration and appraisal programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the exploration, development and mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and national and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with exploration, development and mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

Local Resident Concerns

Apart from ordinary environmental issues, the exploration, development and mining of the Company's properties could be subject to resistance from local residents, indigenous groups or nongovernmental organizations that could either prevent or delay exploration and development of the properties.

Foreign Operations

The Company's properties are located in Brazil. As such, the Company's proposed activities with respect to its properties will be subject to governmental, political, economic and other uncertainties, including but not limited to expropriation of property without fair compensation, repatriation of earnings, nationalization, currency fluctuations and devaluations, exchange controls and increases in government fees, renegotiation or nullification of existing concessions and contracts, changes in taxation policies, economic sanctions and the other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations will be conducted, as well as risks including loss due to civil strife, acts of war, insurrections and the actions of national labour unions. Future government actions concerning the economy, taxation, or the operation and regulation of nationally important facilities such as mines, could have a significant effect on the Company. No assurances can be given that the Company's plans and operations will not be adversely affected by future developments in Brazil. Any changes in regulations or shifts in political attitudes will be beyond the Company's control and may adversely affect the Company's business.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, any of which could result in damage to, or destruction of, equipment and mines, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company securities.

Litigation

The Company and/or its directors or officers may be subject to a variety of civil or other legal proceedings, with or without merit. The Company is currently a defendant in the statement of claim filed by Emerita on July 29, 2026, and a leave application for a proposed derivative action is scheduled to be heard on September 4, 2026 — see 'Regulatory Proceedings, Litigation and Governance Changes'.

Regulatory Proceedings, Litigation and Governance Changes

The OSC enforcement proceeding announced in April 2026 involving another reporting issuer and certain former directors and officers of the Company, the application by certain shareholders of Emerita for leave to commence a derivative action against the Company, the statement of claim filed by Emerita on July 29, 2026 naming the Company and its subsidiary MGLIT as defendants and claiming, among other things, an equitable interest in the Bandeira Project, and the related changes to the Company's Board of Directors and management may result in increased regulatory scrutiny, litigation risk, reputational harm, incremental professional and compliance costs, diversion of management attention, and difficulty attracting or retaining qualified directors, officers and personnel. While the Company is not a respondent in the OSC proceeding, disputes the allegations in the Emerita claim and does not believe that these proceedings will result in the loss of its interest in the Bandeira Project, litigation outcomes are inherently uncertain and there can be no assurance as to the outcome of these matters or that related direct or indirect effects will not have a material adverse effect on the Company's business, financial condition or results of operations. See Regulatory Matters and Corporate Governance below.

In response to these matters, the Board established a Special Committee of independent directors with a mandate covering the regulatory proceedings and related governance matters, retained independent legal counsel, and appointed, Clovis Torres as an independent director. Management completed a review of the Company's disclosure controls and procedures and concluded they remain effective. The Company is contesting the Emerita claims and will respond through the court process.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company is a venture issuer and files the "Venture Issuer Basic Certificate" (Form 52-109FV2) with its interim filings. In contrast to the certificates required for non-venture issuers under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost-effective basis, DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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.

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.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This MD&A contains, or incorporates by reference, "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the future performance of Lithium Ionic, Lithium Ionic's mineral properties, the future price of lithium, the estimation of mineral resources and mineral reserves, results of exploration activities and studies, the realization of mineral resource estimates, exploration activities, costs and timing of the development of new deposits, the acquisition of additional mineral resources, the results of future exploration and drilling, costs and timing of future exploration of the mineral projects, requirements for additional capital, management's skill and knowledge with respect to the exploration and development of mining properties in Brazil, government regulation of mining operations and exploration operations, timing and receipt of approvals and licenses under mineral legislation, the Company's local partners, environmental risks and title disputes, the closing, timing and proceeds of the Salinas transaction, receipt of the LAC, timing of any final investment decision or construction start, project financing, the potential offtake prepayment facility, commodity price forecasts and litigation outcomes. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks associated with the Company's dependence on the mineral projects; general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; risks associated with dependence on key members of management; conclusions of economic evaluations and studies; currency fluctuations (particularly in respect of the Canadian dollar, the United States dollar, the Brazilian real and the rate at which each may be exchanged for the others); future prices of lithium; uncertainty in the estimation of mineral resources; exploration and development risks; infrastructure risks; inflation risks; defects and adverse claims in the title to the projects; accidents, political instability, insurrection or war; labour and employment risks; changes in government regulations and policies, including laws governing development, production, taxes, royalty payments, labour standards and occupational health, safety, toxic substances, resource exploitation and other matters; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; risks that the deferred proceeds of the Salinas transaction may not be received on the anticipated timing or at all, or that expected proceeds may not be received; risks that the LAC or other permits may not be received on the anticipated timing or at all; risks that project financing or the offtake prepayment facility may not be completed on acceptable terms or at all; risks relating to commodity price forecasts and market conditions; risks relating to litigation and regulatory proceedings; insufficient insurance coverage; the risk that dividends may never be declared; and liquidity and financing risks related to global economic conditions. Such forward-looking statements are based on a number of material factors and assumptions, including that contracted parties provide goods and/or services on the agreed time frames; that ongoing contractual negotiations will be successful and progress and/or be completed in a timely manner; that required permits and approvals are received; that project financing is available on acceptable terms; that commodity price forecasts and market conditions are realized as anticipated; that litigation and regulatory proceedings are resolved without a material adverse effect; that no unusual geological or technical problems occur; that plant and equipment work as anticipated; and that there is no material adverse change in the price of lithium. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated, or intended. Forward-looking statements contained herein are made as of the date of this MD&A. There can be no assurance that the forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein.