



Audited Consolidated Financial Statements

MKANGO RESOURCES LTD.

For the years ended 31 December 2025 and 2024

To the Shareholders of Mkango Resources Limited:

Opinion

We have audited the consolidated financial statements of Mkango Resources Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that for the year ended December 31, 2025 the Company incurred a loss, had a deficit and had negative cash flows from operations. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Assessment of the recoverable amount of goodwill

Key Audit Matter Description

We draw attention to note 11 to the consolidated financial statements. As at December 31, 2025, the Company had goodwill recorded of \$2,681,441. Goodwill is required to be tested for impairment annually, and an impairment loss is recognized if the carrying amount of the cash generating unit ("CGU") exceeds its recoverable amount. Management has determined the recoverable amount of the HyProMag CGU based on its fair value less cost of disposal ("FVLCD"), which incorporated the following significant assumptions:

Future cash flows based on forecasted earnings before interest, tax, depreciation, and amortization;
Revenue growth rates; and,
Discount rates.

We identified the assessment of the recoverable amount of goodwill as a key audit matter due to the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of the HyProMag CGU.

Audit Response

We responded to this matter by performing audit procedures relating to assessment of the recoverable amount of goodwill. Our audit work in relation to this included, but was not restricted to, the following:

- We evaluated the reasonableness of the future cash flow projections by comparing to industry market data, Company public filings and assessed whether these assumptions were consistent with evidence obtained in other areas of the audit;
- We evaluated the reasonableness of the forecasted income and expenses by evaluating the appropriateness of management's use of the discounted cash flow model and tested the mathematical accuracy thereof;
- We performed a sensitivity analysis on key inputs used in the future cash flow projections;
- We involved our valuation specialists to assess the Company's impairment model, valuation methodology applied, the various inputs utilized as well as certain significant assumptions, including the discount rate used; and,
- We assessed the appropriateness of the disclosures relating to the goodwill in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Elena Ruttan.

Calgary, Alberta

April 30, 2026

MNP LLP

Chartered Professional Accountants

MKANGO RESOURCES LTD
Consolidated Statements of Financial Position

Expressed in US dollars

	Notes	As at 31 December 2025	As at 31 December 2024
ASSETS			
Current			
Cash and cash equivalents		3,058,561	1,159,807
Government remittances receivable	9	270,060	121,782
Other receivables, prepaid expenses and accrued income	10	239,333	333,963
Due from related parties	20	227,801	57,781
Total current assets		3,795,755	1,673,333
Non-current			
Exploration and evaluation assets	11	780,408	745,350
Intangible assets	12	2,867,817	3,195,804
Goodwill	15	2,681,441	2,681,441
Property, plant and equipment	13	4,860,269	2,415,592
Total non-current assets		11,189,935	9,038,187
TOTAL ASSETS		14,985,690	10,711,520
LIABILITIES			
Current			
Accounts payable and accrued liabilities	21	2,321,528	648,389
Derivative liability	17	10,598,289	1,286,206
Derivative liability – BCA Note	18	189,780	-
Convertible loan note	18	458,873	-
Due to related parties	20	115,509	300,563
Lease liability	19	187,906	159,489
Total current liabilities		13,871,885	2,394,647
Non-current			
Deferred tax liability	25	714,642	857,492
Lease liability	19	1,064,273	1,025,770
Total non-current liabilities		1,778,915	1,883,262
TOTAL LIABILITIES		15,650,800	4,277,909
SHAREHOLDERS' EQUITY			
Share capital	22	53,969,635	45,246,306
Contributed surplus		6,850,638	6,069,441
Accumulated other comprehensive loss		215,478	(63,943)
Deficit		(64,338,681)	(47,372,085)
Equity attributable to the owners of the Company		(3,302,930)	3,879,719
Non-controlling interest		2,637,820	2,553,892
TOTAL EQUITY		(665,110)	6,433,611
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,985,690	10,711,520

Subsequent events & Commitments (Note 28 and Note 24)

On behalf of the Board of Directors:

William Dawes, Chief Executive Officer, Director

Alexander Lemon, President, Director

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

MKANGO RESOURCES LTD
Consolidated Statements of Comprehensive Loss
Expressed in US dollars

		For the year ended:	
	Notes	31 December 2025	31 December 2024
Expenses			
General and administrative	6	(6,787,164)	(3,110,097)
Mineral project expenditures		(106,370)	(89,677)
Total Expenses		<u>(6,893,534)</u>	<u>(3,199,774)</u>
Other items			
Other income	7	30,001	-
Interest income		13	14
Finance expense	18,19	(189,024)	(155,952)
Reversal of contingent consideration	16	-	3,237,152
Foreign exchange gain/(loss)		43,976	(129,288)
Fair value adjustment – derivative liability BCA Note	18	(5,936)	-
Fair value adjustment – derivative liability	17	(10,774,954)	(316,673)
Loss before tax		<u>(17,789,458)</u>	<u>(564,521)</u>
Income tax	25	142,850	143,242
Loss after tax		<u><u>(17,646,608)</u></u>	<u><u>(421,279)</u></u>
Loss attributable to			
Common shareholders		(16,966,596)	(786,218)
Non-controlling interest	8	(680,012)	364,939
Attributable loss		<u><u>(17,646,608)</u></u>	<u><u>(421,279)</u></u>
Other comprehensive profit/(loss)			
Items that may be reclassified subsequently to net loss:			
Exchange difference on translating foreign operations		279,420	6,471
Total comprehensive loss		<u><u>(17,367,188)</u></u>	<u><u>(414,808)</u></u>
Total comprehensive loss attributable to			
Common shareholders		(16,687,176)	(779,747)
Non-controlling interest		(680,012)	364,939
Attributable comprehensive loss		<u><u>(17,367,188)</u></u>	<u><u>(414,808)</u></u>
Loss per share - basic and diluted	26	(0.0504)	(0.0029)

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

MKANGO RESOURCES LTD
Consolidated Statements of Cash Flows
Expressed in US dollars

		For the year ended:	
	Notes	31 December 2025	31 December 2024
Cash flow used by operating activities			
Loss for the year		(17,646,608)	(421,279)
Adjustments for:			
Share based payments	22	575,782	302,851
Depreciation	13	340,599	191,353
Amortisation of intangible assets	12	532,392	533,849
Reversal of contingent consideration	16	-	(3,237,152)
Finance expense – contingent consideration	16	-	144,081
Finance expense – lease	19	46,308	11,871
Finance expense – BCA Note	18	142,716	-
Expected credit loss		-	96,609
Fair value adjustment – embedded derivative	18	5,936	-
Fair value adjustment – derivative liability	17	10,774,954	316,673
Deferred tax recovery	25	(142,850)	(143,242)
Change in non-cash operating capital			
Government remittances receivable		(148,278)	(10,533)
Prepaid expenses and accrued income		94,629	(111,910)
Due to/from related parties		(355,075)	301,161
Accounts payable and accrued liabilities		1,560,305	(39,718)
Cash flow used by operating activities		<u>(4,219,190)</u>	<u>(2,065,386)</u>
Cash flow used by investing activities			
Acquisition of exploration and evaluation assets	11	(26,958)	(92,399)
Acquisition of intangible assets	12	(204,404)	-
Acquisition of property, plant and equipment	13	(2,223,140)	(623,343)
Cash flow used by investing activities		<u>(2,454,502)</u>	<u>(715,742)</u>
Cash flow generated by financing activities			
Share and warrant issue proceeds		7,951,224	2,914,214
Share issue expenses		(485,351)	(135,228)
CoTec investment into Maginito		763,940	174,808
Movement in lease liability		(224,246)	(70,116)
Movement in the BCA Note		183,844	-
Convertible loan note		316,156	-
Cash flow generated by financing activities		<u>8,505,567</u>	<u>2,883,678</u>
Effect of exchange rate changes on cash		66,879	60,475
Change in cash		1,898,754	163,025
Cash at the beginning of the year		<u>1,159,807</u>	<u>996,782</u>
Cash at the end of the year		<u>3,058,561</u>	<u>1,159,807</u>

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

MKANGO RESOURCES LTD
Consolidated Statement of Changes in Equity
Expressed in US dollars

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Deficit	Equity attributable to owners of the Company	Non-controlling interest ("NCI")	Total
Balance at 31 December 2023	43,522,854	5,680,588	(70,414)	(46,585,867)	2,547,161	2,014,145	4,561,306
Loss for the year	-	-	-	(786,218)	(786,218)	364,939	(421,279)
Other comprehensive income:							
Foreign exchange losses	-	-	6,471	-	6,471	-	6,471
Total comprehensive loss	-	-	6,471	(786,218)	(779,747)	364,939	(414,808)
Transactions with owners:							
Issue of shares	1,951,334	-	-	-	1,951,334	-	1,951,334
Share issue expenses	(227,882)	-	-	-	(227,882)	-	(227,882)
CoTec investment into Maginito	-	-	-	-	-	174,808	174,808
Share-based payments	-	302,851	-	-	302,851	-	302,851
Broker warrants within share issue costs	-	86,002	-	-	86,002	-	86,002
Balance at 31 December 2024	45,246,306	6,069,441	(63,943)	(47,372,085)	3,879,719	2,553,892	6,433,611
Loss for the period	-	-	-	(16,966,596)	(16,966,596)	(680,012)	(17,646,608)
Other comprehensive income							
Foreign exchange losses	-	-	279,420	-	279,420	-	279,420
Total comprehensive loss	-	-	279,420	(16,966,596)	(16,687,176)	(680,012)	(17,367,188)
Transactions with owners:							
Issue of shares	5,301,616	-	-	-	5,310,616	-	5,310,616
Share issue expenses	(787,289)	-	-	-	(787,289)	-	(787,289)
CoTec investment into Maginito	-	-	-	-	-	763,941	763,941
Share based payments	-	575,782	-	-	575,782	-	575,782
Broker warrants within share issue costs	-	301,938	-	-	301,938	-	301,938
Warrants exercises	4,200,002	(96,523)	-	-	4,103,478	-	4,103,478
Balance at 31 December 2025	53,969,635	6,850,638	215,477	(64,338,681)	(3,302,931)	2,637,821	(665,110)

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

MKANGO RESOURCES LTD

Notes to the Financial Statements

For the year ended 31 December 2025 and 31 December 2024

All figures in US dollars unless indicated otherwise

1. GENERAL INFORMATION

Mkango Resources Ltd (“Mkango”) was originally incorporated under the name Alloy Capital Corp. (“Alloy”) on 13 November 2007, under the laws of the Province of Alberta, Canada. On 10 December 2010, Alloy was acquired through a “reverse takeover” by Lancaster Exploration (“Lancaster BVI”). The articles of Mkango were amended to change its name from Alloy Capital Corp. to Mkango Resources Ltd. On 15 October 2018, Mkango discontinued its incorporation in Alberta, Canada and became incorporated in the province of British Columbia, Canada. Mkango’s registered office is located at Suite 2900, 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 0A3.

The Company is listed on the TSX Venture Exchange (the “TSX-V”) and holds an additional listing on the AIM Market of the London Stock Exchange (“AIM”) under the symbol MKA. Mkango’s corporate strategy is to become a market leader in the production of recycled rare earth magnets, alloys and oxides, and to develop new sustainable sources of neodymium, praseodymium, dysprosium and terbium to supply accelerating demand from electric vehicles, wind turbines and other clean-energy technologies. Mkango also owns the advanced-stage Songwe Hill rare earths project and an extensive rare earths, uranium, tantalum, niobium, rutile, nickel and cobalt exploration portfolio in Malawi, Africa as well as the Pulawy rare earths separation project in Poland.

The consolidated financial statements were authorised for issuance by the Board of Directors of the Company on 30 April 2026.

2. GOING CONCERN

These consolidated financial statements have been prepared on a basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of business.

The Company is at an early stage of development and, as is common with similar early-stage companies, it has recognised a nominal amount of revenue for the sale of alloy powder shipped during the current year and did not earn any operating income in prior years. For the year ended 31 December 2025, the Company incurred a loss of \$17,646,608 (2024: \$421,279), had an accumulated deficit of \$64,328,681 (2024: \$47,372,085) and had negative cash flows from operations of \$4,219,190 (2024: \$2,065,386).

Subsequent to year end, the Company successfully raised equity of approximately \$15.5 million (net of share issue costs) which significantly strengthened the balance sheet and improved liquidity. The Company continues to pursue funds through either equity investment or alternative financing structures in order to have sufficient funding resources to meet its committed expenditures and to achieve its business objectives. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

Notwithstanding these material uncertainties, after considering the post-year-end equity raise, the Directors believe that the going concern basis of accounts preparation remains appropriate.

These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate.

3. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee.

MKANGO RESOURCES LTD

Notes to the Financial Statements

For the year ended 31 December 2025 and 31 December 2024

All figures in US dollars unless indicated otherwise

(b) Basis of presentation and measurement

These consolidated financial statements have been prepared using the historical cost convention, except for certain financial instruments and share-based payment transactions measured at fair value.

(c) Functional and presentation currency and principles of consolidation

The consolidated financial statements are presented in United States dollars (“US dollars”), which is the functional currency of Mkango. Below is a listing of ownership percentage and functional currency of Mkango’s subsidiaries:

Entity Name	Functional Currency	Ownership Percentage
Lancaster Exploration (“Lancaster BVI”)	US Dollars	100% (2024: 100%)
Lancaster Exploration Limited (“Lancaster Malawi”)	Malawi Kwacha	100% (2024: 100%)
Maginito Limited (“Maginito”)	Pound Sterling	79.4% (2024: 79.4%)
MKA Exploration Limited (“MKA Exploration”)	Malawi Kwacha	100% (2024: 100%)
MKA Exploration Limited (“MKA Exploration Malawi”)	Malawi Kwacha	100% (2024: 100%)
Mkango Rare Earths UK Limited (“Mkango UK”)	Pound Sterling	79.4% (2024: 79.4%)
Mkango Polska Sp. z o.o. (“Mkango Polska”)	Euros	100% (2024: 100%)
Mkango ServiceCo UK Limited (“Mkango ServiceCo”)	Pound Sterling	100% (2024: 100%)
HyProMag Limited (“HyProMag UK”)	Pound Sterling	79.4% (2024: 79.4%)
HyProMag GmbH (“HyProMag Germany”)	Euros	63.5% (2024: 63.5%)

The consolidated financial statements of the Company include the accounts of the Company and its subsidiaries listed above. All intercompany balances and transactions are eliminated upon consolidation.

(d) Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company’s voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historical patterns in voting

Subsidiaries are deconsolidated from the date control ceases. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders’ proportionate share of the acquiree’s identifiable net assets (after any relevant fair value adjustments to the assets, liabilities and contingent liabilities recognised as part of the business combination).

Changes in the Company’s ownership interests that do not result in a loss of control are accounted for as equity transactions with the existing shareholder.

MKANGO RESOURCES LTD

Notes to the Financial Statements

For the year ended 31 December 2025 and 31 December 2024

All figures in US dollars unless indicated otherwise

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity. The non-controlling interests' share of losses, where applicable, is attributed to the non-controlling interests irrespective of whether the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

(e) Use of estimates and judgments

The preparation of the consolidated financial statements is in conformity with IFRS which requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Key areas of judgment made in applying the Company's accounting policies are as follows:

(i) Carrying value of exploration and evaluation intangible assets

The carrying value was \$780,408 at 31 December 2025 (31 December 2024: \$745,350). The Company has determined that there are no indicators of impairment present in accordance with *IFRS 6: Exploration for and evaluation of mineral interests*. Management's conclusion required judgment based on the current status as outlined in the definitive feasibility completed on Songwe Hill in July 2022 and expected future progress of the exploration and evaluation intangible assets as well as forecast rare earth prices.

In forming its conclusion, management assumed that the eleven retention licences covering the Songwe Hill project area will be successfully extended and that the project will be commercially viable, thereby generating future economic benefits. On this basis, no indicators of impairment were identified at the reporting date. As mining activities have not yet commenced, a degree of uncertainty remains in respect of these assumptions. Should these assumptions not materialise, this may give rise to an impairment indicator in future periods. The assessment is particularly sensitive to the successful renewal of the licences and the outcomes of future mining operations once development progresses. Additionally, an optimisation study was completed regarding the Rare Earth Separation Plant located in Pulawy, Poland which completed in 2025. In assessing the carrying value of the intangible asset raised from the study management assumed that development of the separation plant would proceed, thereby generating future economic benefits. Refer to note 12 Intangible Assets.

(ii) Carrying value of technology intangible assets

The carrying value was \$2,867,817 at 31 December 2025 (31 December 2024: \$3,195,804). The Company has determined that there are no indicators of impairment present in accordance with *IAS 36: Impairment of assets*. Management's conclusion required judgment based on the fact that the value of the HPMS technology had not significantly declined from the date of the HyProMag acquisition and year end, and that plans are on track to develop both the recycling projects in the UK and Germany that use the technology.

MKANGO RESOURCES LTD

Notes to the Financial Statements

For the year ended 31 December 2025 and 31 December 2024

All figures in US dollars unless indicated otherwise

(iii) Carrying value of the convertible loan note

The Group has issued convertible loan notes which contain both a liability component and, where applicable, an embedded derivative or equity component. Management applies significant judgement in assessing the appropriate accounting treatment of these instruments in accordance with IAS 32 Financial Instruments: Presentation and IFRS 9 Financial Instruments. The terms of the instrument provide the holder with multiple settlement alternatives, including conversion into a variable number of shares. Accordingly, management determined that the instrument contains a derivative component. In assessing the appropriate accounting treatment, management was required to exercise significant judgement, including the evaluation of the probability of each potential settlement outcome. This assessment involved the use of assumptions that are inherently uncertain and may be subject to change based on future events. Management made use of a specialist valuator who applied the Monte Carlo valuation method approach to determine the expected value of the derivative. Additionally, through analysis of historic information management made assumptions based on the probability of the success of the SPAC process completing as well as the probability of sufficient funding being raised to support the transaction. While these assumptions are based on management's best estimate, there is obviously a degree of uncertainty of the outcomes which remains. Refer to note 18 Convertible Loan Note.

(iv) Valuation of goodwill

The carrying value of goodwill arising from the HyProMag acquisition (Note 15) was \$2,681,441 at 31 December 2025 (31 December 2024: \$2,681,441). The recoverable amount of goodwill is assessed at each reporting date for impairment. The recoverable amount is based on the higher of the value in use and fair value less costs of disposal. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Key areas of judgment include estimates of scrap supply, commissioning timetables, product mix, pricing of magnets and operating cost estimates.

(v) Fair value of contingent consideration

The fair value of the contingent consideration was estimated based on the Company's expectation of the future performance of the business which would result in milestones being met and milestone payments being made to the HyProMag sellers. At the time of acquisition, these potential milestone payments were discounted to reflect the timing of the expected payments. At 31 December 2025, the milestones were not met, which resulted in a carrying value of \$nil (31 December 2024, \$nil).

Key areas of estimation where management has made difficult, complex or subjective assumptions, often as a result of matters inherently uncertain, are as follows:

(i) Share options

The Company issues share options to directors and key members of staff. The Company used a Black Scholes model to determine the fair value of the share options. Inputs to the model are subject to various estimates about volatility, interest rates, exchange rate, dividend yields and time to maturity.

(ii) Valuation of derivative financial liability

The Company has made estimates in determining the fair value of the derivative financial liability and has used the Black Scholes model to do so. Inputs to the model were subject to various estimates about volatility, interest rates and expected life of the instrument issued. Fair value inputs were subject to market factors as well as internal estimates. The Company considered historical trends together with any new information to determine the best estimate of fair value at the date of initial recognition and at each period end.

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Notes to the Financial Statements

For the year ended 31 December 2025 and 31 December 2024

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(f) New accounting standards, amendments and interpretations adopted

The Company has adopted amendments effective 1 January 2024, related to *IAS 1: Presentation of Financial Statements* relating to the classification of liabilities, and *IFRS 16: Leases*, that did not have a material impact on the Company's financial statements.

(g) Future accounting changes

There are new accounting standards and amendments to accounting standards and interpretations that are effective for annual periods beginning on or after 1 January 2026, that have not been applied in preparing the financial statements for the year ended 31 December 2025. Except as disclosed below, these standards and interpretations are not expected to have a material impact on the Company's Financial Statements.

On 9 April 2024, the IASB issued *IFRS 18: Presentation and Disclosure in Financial Statements* to improve reporting of financial performance. *IFRS 18* replaces *IAS 1: Presentation of Financial Statements*. It carries forward many requirements from *IAS 1*. *IFRS 18* applies to annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted. The key new concepts introduced in *IFRS 18* relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes. The Company is currently assessing the impact and efforts related to adopting *IFRS 18*.

On 30 May 2024, the IASB issued amendments to *IFRS 9: Financial Instruments* and *IFRS 7: Classification and Measurement of Financial Instruments*. These amendments clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). These amendments apply to annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. The Company is currently assessing the impact and efforts related to the amendments to *IFRS 9* and *IFRS 7*.

4. MATERIAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's consolidated financial statements.

(a) Mineral exploration expenditures and property and equipment assets

(i) Recognition and measurement

Exploration and evaluation ("E&E") expenditures

Exploration and evaluation ("E&E") costs which would typically include pre-licensing, preliminary property evaluation, drilling and directly attributable general and administrative costs, are recognised in the consolidated statement of comprehensive loss as mineral exploration expenditures.

E&E costs, including the costs of acquiring licenses and directly attributable general and administrative costs are capitalised under full cost accounting, as intangible exploration and evaluation assets. The costs are capitalised pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting a resource is considered to be determinable based on several factors, including the assignment of proven reserves. Upon determination of technical feasibility and commercial viability, the costs incurred prospectively are capitalized to a separate category within property and equipment referred to as a development mineral property.

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Property and equipment (“P&E”) expenditures

Items of property and equipment are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Property and equipment are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”) for impairment testing. Property and equipment is comprised of office and computer equipment, plant and equipment and vehicles.

Property and equipment assets, categorized as mineral interests, are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Gains or losses on disposal of an item of property and equipment, including mineral interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised within the consolidated statement of comprehensive loss.

Intangible asset expenditures

Intangible asset expenditures which included the professional fees, as well as legal costs associated with the studies performed are capitalised under full cost accounting, as intangible assets. The useful life of the intangible asset is assessed as indefinite, given that the period over which future economic benefits are expected to be generated is dependent on technical feasibility and commercial viability.

(ii) Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognised in the consolidated statement of comprehensive loss, as incurred. Such capitalized costs generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves and is accumulated on a property-by-property basis. The carrying amount of any replaced or sold component is derecognised.

(iii) Depreciation and amortisation

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as described below.

Office furniture and equipment	4 years
Computer equipment	4 years
Vehicles	4 years
Plant and equipment	5 years
Right of use assets	Over the period of the lease

Amortisation is recorded using the following estimated useful lives:

Technology assets	Over the life of the patent
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Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(b) Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgments above).

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The significant intangibles recognised by the Company, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset: The technology-based intangible asset, being the patented technology for the HPMS process, was valued using an income approach that focuses on the future benefits generated by the Company. The relief from royalty approach (“RFR”) has been adopted. The intangible asset is being amortised over the remaining term of the patent (i.e. 7.42 years from acquisition date).

(c) Goodwill

Goodwill represents the excess of the cost of a business combination over the Company's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

(d) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The Company records mineral exploration expenditures net of grant proceeds. Grant funding received in advance of incurring eligible mineral exploration expenditures is recorded as grant received in advance on the consolidated statement of financial position.

(e) Impairment

(i) Non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. The carrying amounts of the Company's other non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into CGUs. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

Fair value less costs of disposal is the amount obtained from the sale of an asset or CGU in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal.

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An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (or group of units) on a pro rata basis.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognised. Reversal of impairment losses are recognised in the consolidated statement of comprehensive loss.

(f) Foreign currency translation

Foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the date of the consolidated statement of financial position. Expenses are translated using exchange rates prevailing at the dates of the transaction. Any exchange gain or loss that arises on translation is included in profit or loss.

Foreign currency translation adjustments are required each reporting period for subsidiaries of the Company, having functional currencies which differ from the presentation currency. Assets and liabilities are translated at exchange rates in effect at the date of the consolidated statement of financial position and expenses are translated at the average rate for the year with gains or losses recognised in other comprehensive loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in other comprehensive income in the translation reserve.

(g) Taxation

Tax expense comprises current and deferred tax. Tax expense is recognised in the consolidated statement of comprehensive loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which a temporary difference can be utilized. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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(h) Earnings/Losses per share

Basic earnings or losses per share are calculated by dividing the net income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share are determined by adjusting the weighted average number of common shares outstanding for the effects of dilutive instruments. All instruments that could have a dilutive effect are considered anti-dilutive when the Company is in a loss position. In addition, options and warrants have a dilutive effect only when the average market price of the Company's common shares during the year exceed the exercise price of the options and warrants (i.e. they are "in the money").

(i) Share-based payments

The Company has issued options to directors, officers, employees, consultants and strategic partners to purchase common shares. The fair value of options and warrants determined using the Black-Scholes option pricing model on the date they are granted to employees, is recognised as compensation expense with a corresponding increase in contributed surplus over the vesting period. Options and warrants to non-employees are measured at the fair value of the goods or services received, unless the fair value of the options and warrants is more reliably determinable, and are recognised each reporting date as compensation expense with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated based on historical forfeitures and is adjusted to reflect the estimated number of options and warrants that vest. Volatility is estimated based on historical volatility trends of the Company's own stock, as well as the stock of selected industry peers.

(j) Cash and cash equivalent

Cash and cash equivalent is comprised of cash on hand as well as cash in bank accounts.

(k) Provisions

The Company makes a distinction between:

- Provisions: Present obligations, either legal or constructive, arising from past events, the settlement of which is expected to give rise to an outflow of resources, the amount and timing of which are uncertain; and,
- Contingent liabilities: Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company, or present obligations arising from past events, the amount of which cannot be estimated reliably or whose settlement is not likely to give rise to an outflow of resources.

Provisions are recognised when the liability or obligation, giving rise to the indemnity or payment arises, to the extent that its amount can be reliably estimated and it is probable that the commitment will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather disclosed.

(l) Financial instruments

Classification and measurement of financial assets and liabilities

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. Management determines the classification of its financial assets at initial recognition. There are two principal classification categories for financial assets: measured at amortised cost and fair value through profit or loss ("FVTPL"). The classification categories are as follows:

Financial assets – The classification of financial assets is determined by the Company at initial recognition. The classification categories are as follows:

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- A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortised costs using the effective interest method.
- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortised cost or fair value through other comprehensive income.
- Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to those assets are transferred.

Financial liabilities – The classification of financial liabilities is determined by management at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortised cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in the consolidated statement of comprehensive income.
- Financial liabilities measured at fair value through profit or loss: financial liabilities measured a fair value with changes in fair value and interest expense recognised in the consolidated statement of comprehensive income.
- Financial liabilities are derecognised when the obligation is discharged, cancelled or expired.

Impairment of financial assets

The Company applies the simplified approach to providing for expected credit losses as prescribed by *IFRS 9*, which requires the use of the lifetime expected loss provision for all trade and other receivables.

(m) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term. Judgment is applied to determine the lease term where a renewal option exists. Right-of-use assets are depreciated using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. In addition, the right-of-use assets may be reduced by impairment losses or adjusted for certain remeasurements of the lease liability.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The lease payments are recognised as an expense when incurred over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments include fixed payments, and variable payments that are based on an index or rate.

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(n) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Company's CEO in order to make decisions regarding the allocation of resources to the segment. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

5. SEGMENTED INFORMATION

The Company operates in three reportable segments, based on the nature of operations and internal reporting to the Chief Operating Decision Maker (the Board of Directors):

Rare earths recycling projects – the development and commercialisation of short loop and long loop rare earth magnet recycling technologies (Maginito, HyProMag Limited (UK), HyProMag GmbH (Germany), Mkango Rare Earths UK Limited(UK)).

Rare earths mining and refining projects – development of the advanced stage Songwe Hill rare earths project in Malawi and the Pulawy rare earths separation project in Poland. (Lancaster Exploration Limited (BVI), Lancaster Exploration Limited (Malawi), MKA Exploration Limited (BVI), MKA Exploration Limited (Malawi), Mkango Polska (Poland)).

Corporate – administrative and head office activities including group-level financing, corporate development, and regulatory compliance (Mkango Resources Ltd and Mkango ServiceCo UK Limited).

Management monitors the operating results of the Company's segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with the Company's consolidated financial statements.

There was a nominal amount of revenue recognised in the recycling projects segment for the years ended 31 December 2025 and no revenue recognized in any operating segment for the year ended 31 December 2024.

The following tables present selected financial information regarding the Company's operating segments:

Segment results for the year ended 31 December 2025

	Operating expenses (net of grants)	Depreciation and amortisation	Reversal of contingent consideration	Profit/(loss) before tax	Assets	Liabilities
Rare earths recycling projects	(2,914,507)	(865,023)	-	(2,868,042)	11,116,736	3,117,772
Rare earths mining and refining projects	(1,592,230)	(2,130)	-	(1,758,834)	1,537,916	1,648,627
Corporate	(2,386,797)	(5,837)	-	(13,162,582)	2,331,038	10,884,402
	(6,893,534)	(872,990)	-	(17,789,458)	14,985,690	15,650,802

Segment results for the year ended 31 December 2024

	Operating expenses (net of grants)	Depreciation and amortisation	Reversal of contingent consideration	Profit/(loss) before tax	Assets	Liabilities
Rare earths recycling projects	(1,270,197)	(714,040)	3,237,152	1,796,663	9,016,051	2,399,280
Rare earths mining and refining projects	(340,791)	(10,519)	-	(341,441)	975,937	191,942
Corporate	(1,588,786)	(643)	-	(2,019,743)	719,532	1,686,687
	(3,199,774)	(725,202)	3,237,152	(564,521)	10,711,520	4,277,909

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Basis of Measurement

- Segment profit or loss represents profit or loss before tax at the segment level.
- Inter-segment transactions are eliminated on consolidation.
- Segment assets and liabilities are allocated based on the operations of each segment.
- Depreciation, amortisation and material non-cash items such as the reversal of contingent consideration are disclosed separately.

Geographic information

The Company's non-current assets, excluding goodwill, deferred tax assets, and financial instruments, are located in the following geographical regions:

	31 December 2025	31 December 2024
United Kingdom	1,215,953	812,669
Malawi	781,271	748,343
Germany	3,643,453	1,599,930
Poland	204,404	-
	<u>5,845,081</u>	<u>3,160,942</u>

The goodwill and intangible asset relating to HPMS technology is not allocated by geography due to the integrated nature of operations.

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2025	Year ended 31 December 2024
Audit fees	210,286	210,231
Salaries	2,576,168	2,031,387
Share-based payments – Note 22	575,782	302,851
Depreciation – Note 13	340,598	191,353
Amortisation of intangible assets – Note 12	532,392	533,849
Expected credit losses	2,995	96,609
Travel and Marketing	246,961	55,433
SPAC Transaction Expenses	1,126,344	-
HyProMag expenses (excl salaries)	403,241	(94,619)*
Mkango Rare Earths UK expenses (excl salaries)	90,264	(199,165)*
Legal and professional fees	371,843	238,221
Other	310,290	(256,053)
	<u>6,787,164</u>	<u>3,110,097</u>

* Amounts included grant income received

7. OTHER INCOME

Other income attributable to the group includes an amount of \$14,493 for the sale of alloy powder shipped during the year.

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8. NON-CONTROLLING INTEREST

The income/(loss) attributable to non-controlling interests for the years ended 31 December 2025 and 2024 are as follows:

	Year ended 31 December 2025	Year ended 31 December 2024
Maginito	6,722	609,569
Mkango Rare Earths UK Limited	(128,218)	(44,545)
HyProMag Limited	(236,642)	(195,658)
HyProMag GmbH	(321,874)	(4,427)
	<u>(680,012)</u>	<u>364,939</u>

Summarised financial information

	Maginito	Mkango Rare Earths UK Ltd	HyProMag Ltd	HyProMag GmbH
Total assets	7,135,636	(1,975,029)	(1,141,487)	1,270,500
Total comprehensive income	32,889	(622,561)	(863,646)	(359,269)
Profit allocated to NCI	6,722	(128,217)	(236,642)	(131,061)

9. GOVERNMENT REMITTANCES RECEIVABLE

	31 December 2025	31 December 2024
Recoverable within one year	270,060	121,782
	<u>270,060</u>	<u>121,782</u>

The amount recoverable within one year relates to recoveries of indirect taxes paid to governments in the countries in which the Company operates.

10. OTHER RECEIVABLES, PREPAID EXPENSES AND ACCRUED INCOME

	31 December 2025	31 December 2024
Prepaid expenses	117,717	40,755
Deposits	38,712	33,536
Government grant receivables	577	229,271
Other receivables	82,327	30,401
	<u>239,333</u>	<u>333,963</u>

11. EXPLORATION AND EVALUATION ASSETS

	Exploration & evaluation assets
Cost	
Balance at 31 December 2023	679,131
Additions	66,219
Balance at 31 December 2024	745,350
Additions	35,058
Balance at 31 December 2025	780,408

The majority of the additions to exploration and evaluation assets during the current year are directly attributable costs (including legal costs linked to the Mining Development Agreement) relating to the Songwe Hill rare earths project. These costs have been capitalized in accordance with *IFRS 6: Exploration for and Evaluation of Mineral Resources*.

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12. INTANGIBLE ASSETS

	Technology	Optimisation study	Total
Cost			
Balance at 31 December 2023	3,949,902	-	3,949,902
Additions	-	-	-
Balance at 31 December 2024	3,949,902	-	3,949,902
Additions	-	196,305	196,305
		8,099	8,099
Foreign exchange differences			
Balance at 31 December 2025	3,949,902	204,404	4,154,306
Accumulated Amortisation			
Balance at 31 December 2023	220,249	-	220,249
Amortisation	533,849	-	533,849
Balance at 31 December 2024	754,098	-	754,098
Amortisation	532,392	-	532,392
Balance at 31 December 2025	1,286,490	-	1,286,490
Net Book Value			
31 December 2024	3,195,804	-	
31 December 2025	2,663,412	204,404	2,867,817

The majority of the additions to intangible assets during the current year are directly attributable costs incurred in the optimisation of the Pulawy project.

13. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Right of Use Asset	Plant and equipment	Computer Equipment	Vehicles	Leasehold Improvements	Total
Cost							
Balance at 31 December 2023	289	-	709,513	65,050	80,011	-	854,863
Additions	-	1,297,317	738,784	7,859	-	-	2,043,960
Disposals	-	-	-	-	(80,011)	-	(80,011)
Foreign exchange differences	-	(56,343)	(50,908)	(426)	-	-	(107,677)
Balance at 31 December 2024	289	1,240,974	1,397,389	72,483	-	-	2,711,135
Additions	51,876	90,254	2,167,324	3,583	15,809	99,430	2,428,276
Foreign exchange differences	2,140	169,383	245,510	1,654	349	4,103	423,139
Balance at 31 December 2025	54,305	1,500,611	3,810,223	77,720	16,158	103,533	5,562,550
Accumulated Depreciation							
Balance at 31 December 2023	289	-	62,159	55,330	80,011	-	197,789
Depreciation	-	61,777	123,361	6,215	-	-	191,353
Disposals	-	-	-	-	(80,011)	-	(80,011)
Foreign exchange differences	-	(2,683)	(10,722)	(183)	-	-	(13,588)
Balance at 31 December 2024	289	59,094	174,798	61,362	-	-	295,543
Depreciation	2,198	197,735	129,649	5,558	3,949	1,510	340,599
Foreign exchange differences	91	16,043	48,974	883	87	62	66,139
Balance at 31 December 2025	2,578	272,872	353,420	67,803	4,036	1,572	702,281
Net Book Value							
31 December 2024	-	1,181,880	1,222,591	11,121	-	-	2,415,592
31 December 2025	51,727	1,227,739	3,456,803	9,917	12,122	101,961	4,860,269

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Additions to plant and equipment are presented net of government grants received. Gross additions for year ended 31 December 2025 were \$2,682,148. Government grants related to capital expenditure totalling \$253,872 were received in the year ended 31 December 2025. Included in additions to plant and equipment are progress payments directly attributable to specific equipment being constructed for the Company, which will contribute to future operations once delivered. The amounts are clearly defined under binding contracts and are being tracked reliably. Included in plant and equipment is \$2,170,326 related to assets under construction that are not available for use as at 31 December 2025 relating to the HyProMag GmbH recycling plant.

The Company recognises right-of-use (ROU) assets in relation to leased premises, including office and manufacturing facilities, in accordance with *IFRS 16:Leases*. ROU assets represent the Company's right to use the underlying leased assets over the lease term.

The manufacturing facility lease for HyProMag Germany in Germany commenced in September 2024 and has an initial term of 5 years, with an option to extend for a further 2 years. The ROU asset is being depreciated over 7 years. The corporate office lease in Mkango Services for the London office commenced on 1 October 2025 and has an initial term of 5 years. The ROU asset for the office lease is being depreciated over 5 years.

14. HYPROMAG USA LLC

On 2 January 2024, Maginito and CoTec Holdings ("Cotec") incorporated a 50/50 joint venture company, HyProMag USA LLC ("HyProMag USA"), to roll-out the HPMS technology into the United States, with CoTec responsible for funding the feasibility study and development costs, subject to the results of the feasibility study.

HyProMag USA is classified as a joint venture under *IFRS 11: Joint arrangements*, as the parties have joint control and rights to the net assets of the entity. The investment is accounted for using the equity method in accordance with *IAS 28: Investments in Associates and Joint Ventures*.

Maginito's investment into HyProMag USA was zero and Maginito has not incurred legal or constructive obligations or made payments on behalf of HyProMag USA. As such, the attributable losses in HyProMag USA incurred for the year ended 31 December 2025 have not been equity accounted for.

When HyProMag USA subsequently reports profits, Maginito will recognise its share of those profits only after its share of the profits equals the share of losses not recognised.

15. GOODWILL

Impairment of goodwill and intangible assets

The recoverable amount of goodwill is assessed at each reporting date for impairment. The recoverable amount is based on the higher of the value in use and fair value less costs to dispose. In assessing the fair value less costs to dispose, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Key inputs include future cash flows, growth rates, gross margins, terminal value and discount rate.

Pricing of finished products comprising powder, swarf and magnets is based on management's estimates for future prices and are based on external views of future magnet prices. The discount rate is based on estimate of the weighted average cost of capital for a market participant which includes estimates for risk-free interest rates, cost of equity, asset-specific risk, and debt-to-equity financing ratio. The discount rate used in the impairment model was 20%.

Following assessment, the HyproMag CGU was not impaired, as the recoverable amount exceeded the carrying value.

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Sales growth assumptions are based on contracted and forecasted sales into the future. With regard to gross margins, consideration is given to forecasting and other industry information and knowledge. A 2% change in gross margin in isolation would not result in an impairment charge. The terminal value was calculated using an annual growth of 2.5% in the terminal year.

Pre-tax discount rates used reflect management's assessment of the risks of the CGU or group of CGUs and its past experience in raising capital. Furthermore, suitable sensitivity tests are also applied in conjunction with cash flow forecasts for the CGU in question. A 1% change in the growth rate or discount rate in isolation would not result in an impairment charge.

The carrying value of goodwill arising from the HyProMag acquisition was \$2,681,441 at 31 December 2025 (31 December 2024: \$2,681,441). The recoverable amount of goodwill is assessed at each reporting date for impairment.

16. CONTINGENT CONSIDERATION

The contingent consideration arose as a result of future milestone payments being included in the purchase consideration relating to the HyProMag acquisition (See Note 14).

Since the contractual milestones were not met, the contingent consideration remeasured to \$nil during the 31 December 2024 financial year.

	31 December 2025	31 December 2024
Opening balance	-	3,078,587
Acquisition of HyProMag	-	-
Finance expense	-	144,081
Changes in fair value of contingent consideration	-	(3,237,152)
Foreign exchange difference	-	14,484
Closing balance	-	-

17. DERIVATIVE LIABILITY

At 31 December 2025, the Company held warrants issued to investors in connection with a 5 September 2024 capital raise and 2 October 2025 capital raise. These warrants are classified as derivative financial liabilities because their exercise prices are denominated in GBP, while the Company's functional currency is USD. Under IAS 32 and IFRS 9, such instruments do not meet the "fixed-for-fixed" criterion for equity classification and are therefore accounted for as derivatives measured at fair value through profit or loss.

The fair value of the derivative liability is calculated using the Black-Scholes option pricing model, which incorporates share price at valuation date, exercise price (in GBP), volatility (based on historical data), risk-free interest rate, expected life of the instrument and GBP/USD exchange rate. (see Note 20 (d))

	31 December 2025	31 December 2024
Opening balance	1,286,206	-
Investor warrants – 5 September 2024 (Note 20 (d))	-	969,533
Investor warrants exercised – 16 July 2025	(1,517,752)	-
Investor warrants exercised – 15 August 2025	(1,654,229)	-
Investor warrants – 17 October 2025	1,709,110	-
Fair value adjustment – investor warrants	10,774,954	316,673
Closing balance	10,598,289	1,286,206

The total movement of \$10,774,954 (2024: \$316,673) arising from fair value adjustments during the year has been recognised as a non-cash charge in the consolidated statement of profit or loss.

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18. CONVERTIBLE LOAN NOTE (“BCA NOTE”)

Pursuant to the 3 June 2025 Note Purchase Agreement (“NPA”) entered into between Mkango Rare Earths Limited (“MKAR”) and sponsors of Crown PropTech Acquisitions (“CPTK”), on 2 July 2025, Lancaster BVI, a 100% owned subsidiary of the Company, upon the execution of the Business Combination Agreement (“BCA”) issued a convertible loan note (“BCA Note”) to a sponsor of CPTK.

Interest on the BCA Note accrues at 12% per annum, paid semi-annually as follows:

- 3% in cash;
- 9% capitalised as Payment in Kind (“PIK”).

The redemption amount is \$600,000, being the principal amount of \$500,000 plus 20% redemption premium, plus accumulated unpaid interest.

Conversion of the BCA Note into Conversion Shares is mandatory on the completion of the SPAC Merger, if this completes before the Maturity Date, being 1 July 2026.

Conversion Shares are Class A Shares, which are equity instruments, in Lancaster BVI. The number of Conversion Shares to be issued is driven by whether the minimum cash condition as part of the SPAC Merger is met. On Conversion, the Conversion Shares will be equal to the Principal Amount and accumulated unpaid interest divided by the Conversion Price of \$5 per share. However, if the minimum cash condition is met, the holders can elect to convert the BCA Note such that the holder is:

- paid the Cashout Amount; and
- issued a number of Conversion Shares equal to the Cashout Amount divided by \$20; and
- issued additional Conversion Shares equal to the Principal Amount and accumulated unpaid interest less the Cashout Amount divided by the Conversion Price.

The Cashout Amount is the amount payable in cash, up to the lesser of:

- the cash available in the SPAC in excess of the minimum cash condition; or
- the sum of the Principal Amount and accumulated unpaid interest.

The BCA Note is a financial instrument within the scope of *IAS 32 Financial Instruments: Presentation* and *IFRS 9 Financial Instruments*.

The BCA Note is considered a hybrid contract, with a debt host liability host that is a non-derivative financial liability and therefore is measured at amortised cost and a conversion option which has been identified as an embedded derivative that is measured at fair value through profit or loss (“BCA Note Conversion Option”).

At the Issue Date, the fair value of the BCA Note was determined to be \$500,000, of which \$183,844 was recognised as an embedded derivative measured at fair value through profit or loss and the residual \$316,156 was allocated to the host liability.

The effective interest rate is calculated such that the initial carrying value of the debt liability would equal to the Redemption Amount as at 1 July 2026. The possibility of Conversion is not factored into the amortised cost calculations.

The fair value of the BCA Note Conversion Option is highly sensitive to the assumed probability of successful completion of the SPAC Merger.

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At 2 July 2025 when the BCA note was issued (“the Issue Date”), management estimated a 25% probability of successful completion. The conversion option can only be exercised on the occurrence of the SPAC Merger completing. The SPAC merger is subject to a number of conditions which, inter alia, include the approval of a Nasdaq listing application, approval by the Company as shareholder of MKAR, approval by the shareholders of CPTK, approval by the TSX-V and the satisfaction or waiver of other closing conditions, most of which are outside the Company’s control. At the Issue Date, none of the conditions of the SPAC Merger had been met. These conditions are considered substantive and therefore a third party market participant would have deemed the probability of the SPAC Merger completing to be low. However, the probability is not considered nil and the management estimate of 25% was determined by taking into consideration the available data prepared by SPAC Insider for the completion of recent SPAC IPO’s of 34% in 2023 and 56% in 2024 discounted for the reasons that, none of the conditions for the SPAC merger were met at the issue date; that the SPAC merger is not compulsory for the Company; and the SPAC merger has to be completed within 12 months whilst the data for SPAC IPO’s data is over the whole life of the SPAC once it has become public.

Based on the valuation model, a reasonably possible change of 10% in this probability would change the fair value of the embedded derivative by approximately \$42,660, resulting in a fair value range of approximately \$64,000 to \$149,000 (2025 fair value: \$106,660). This reflects the fact that the conversion option only has value if the SPAC Merger completes. Changes in other unobservable inputs, such as share price volatility and discount rate, do not produce movements of similar magnitude within reasonably possible ranges.

As of 31 December 2025, the fair value of the BCA Note Conversion Option is assessed at \$189,780. The host liability is measured at amortised cost, with interest recognised using the effective interest rate method.

	Financial Liability	Derivative Liability
Opening balance	-	-
Issue of BCA Note – 3 July 2025	316,156	183,844
Finance Charge	142,717	-
Derivative liability – fair value adjustment	-	5,936
Closing balance – 30 December 2025	458,873	189,780
Opening balance	-	-
Derivative liability – BCA Note	-	-
Closing balance – 30 December 2024	-	-

19. LEASES

The Company leases certain assets under lease agreements. During the year ended 31 December 2025, the Company entered into a new lease for a corporate office in London, commencing 1 October 2025. The lease has an initial term of 5 years.

The Company used an incremental borrowing rate (“IBR”) of between 3.75% - 3.90% in determining its lease liabilities.

	31 December 2025	31 December 2024
Opening balance	1,185,259	-
Additions	92,301	1,297,317
Finance expense	46,307	11,871
Lease payments	(224,246)	(70,116)
Foreign exchange difference	152,558	(53,813)
Closing balance	1,252,179	1,185,259

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As at 31 December 2025 and 31 December 2024, the Company's lease liability is as follows:

Split between:	31 December 2025	31 December 2024
Current portion of lease liability	187,906	159,489
Non-current portion of lease liability	1,064,273	1,025,770
Closing balance	1,252,179	1,185,259

Future minimum lease payments to be paid by the Company as a lessee as of 31 December 2025 are as follows:

Maturity Analysis – Contractual undiscounted cash flows

2026	248,554
2027	248,554
2028	248,554
Thereafter	644,294
Total future minimum lease payments	1,389,956
Discount	(137,776)
Total	1,252,180

20. RELATED-PARTY TRANSACTIONS AND BALANCES

(a) Key management compensation was as follows:

Year ended 31 December 2025

	Salaries	Bonus reinvested	Director fees	Share option charge	Total
A Lemon – President	254,105	65,761	-	74,470	394,336
W Dawes – Chief Executive Officer	254,105	65,761	-	74,470	394,336
D Linfield – Chairman	-	-	92,227	181,683	273,910
S Muir – Non-Executive Director	-	-	25,000	32,027	57,027
S Treacy – Non-Executive Director*	-	-	25,000	32,027	57,027
R Sewell – Chief Financial Officer	225,544	49,654	-	33,616	308,814
P Varris – Non-Executive Director	-	-	25,000	33,131	58,131
Total key management compensation	733,754	181,176	167,227	461,124	1,543,281

* paid to Zenith Advisory Services Pty Limited

Year ended 31 December 2024

	Consulting fees/ Salaries	Bonus reinvested	Director fees	Share option charge	Total
A Lemon – President	170,377	89,529	-	96,552	356,458
W Dawes – Chief Executive Officer	170,377	89,529	-	96,552	356,458
D Linfield – Chairman	-	-	-	8,252	8,252
S Muir – Non-Executive Director	-	-	-	5,777	5,777
S Treacy – Non-Executive Director*	-	-	-	5,777	5,777
R Sewell – Chief Financial Officer	179,138	40,928	-	20,315	240,381
P Varris – Non-Executive Director	-	-	-	13,204	13,204
Total key management compensation	519,892	219,986	-	246,429	986,307

* paid to Zenith Advisory Services Pty Limited

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(b) Share options granted to directors and key management were as follows:

Year ended 31 December 2025	Outstanding at beginning of year	Granted	Exercised	Cancelled	Outstanding at end of year
A Lemon	4,487,500	-	-	-	4,487,500
W Dawes	4,487,500	-	-	-	4,487,500
D Linfield	2,160,000	1,104,933	-	-	3,264,933
S Muir	1,370,000	210,000	-	-	1,580,000
S Treacy	1,370,000	210,000	-	-	1,580,000
R Sewell	725,000	-	-	-	725,000
P Varris	400,000	210,000	-	-	610,000
	<u>15,000,000</u>	<u>1,734,933</u>	<u>-</u>	<u>-</u>	<u>16,734,933</u>

Year ended 31 December 2024	Outstanding at beginning of year	Granted	Exercised	Cancelled	Outstanding at end of year
A Lemon	4,487,500	-	-	-	4,487,500
W Dawes	4,487,500	-	-	-	4,487,500
D Linfield	3,410,000	-	-	(1,250,000)	2,160,000
S Muir	1,370,000	-	-	-	1,370,000
S Treacy	1,370,000	-	-	-	1,370,000
R Sewell	725,000	-	-	-	725,000
P Varris	400,000	-	-	-	400,000
	<u>16,250,000</u>	<u>-</u>	<u>-</u>	<u>(1,250,000)</u>	<u>15,000,000</u>

(c) RSUs granted to key management were as follows:

Year ended 31 December 2025	Outstanding at beginning of year	Granted	Lapsed	Outstanding at end of year
A Lemon	4,739,717	500,000	(400,000)	4,839,717
W Dawes	4,739,717	500,000	(400,000)	4,839,717
R Sewell	1,947,589	455,000	(364,000)	2,038,589
	<u>11,427,023</u>	<u>1,455,000</u>	<u>(1,164,000)</u>	<u>11,718,023</u>

Year ended 31 December 2024	Outstanding at beginning of year	Granted	Lapsed	Outstanding at end of year
A Lemon	2,287,500	2,452,217	-	4,739,717
W Dawes	2,287,500	2,452,217	-	4,739,717
R Sewell	-	1,947,589	-	1,947,589
	<u>4,575,000</u>	<u>6,852,023</u>	<u>-</u>	<u>11,427,023</u>

(d) Other related-party transactions

Leo Mining and Exploration Ltd. ("Leo Mining") is considered related by virtue of common directors and officers, namely William Dawes, Alexander Lemon and Shaun Treacy. Leo Mining pays certain rental costs on behalf of Mkango. Mkango reimburses Leo Mining for these costs.

As of 31 December 2025, the Company owed Leo Mining an amount of \$7,216 (31 December 2024: \$2,055). The amount is unsecured and due on demand.

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CoTec is considered related as it has a 20.6% interest in Maginito.

As of 31 December 2024, CoTec owed the Company \$117,240 (31 December 2024: \$57,781) relating to costs incurred by the Company relating to the roll-out of HPMS technology into the United States on behalf of HyProMag USA LLC. CoTec is responsible for these costs. HyProMag USA LLC re-imbursed the Company for these costs post year end.

The amounts due to related parties were as follows:

	31 December 2025	31 December 2024
Due to key management and directors	108,293	298,508
Due to related parties with common directors (Leo Mining)	7,216	2,055
Total due to related parties	<u>115,509</u>	<u>300,563</u>

The amounts due from related parties were as follows:

	31 December 2025	31 December 2024
Due to key management and directors	11,106	-
HyProMag USA	91,871	57,781
CoTec	117,240	-
Mkango Cayman	7,584	-
Total due from related parties	<u>227,801</u>	<u>57,781</u>

21. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	31 December 2025	31 December 2024
Accounts payable	1,144,688	405,234
Other payables	124,723	23,168
Government grants received in advance	1,004,429	173,218
Accrued liabilities	47,688	46,769
	<u>2,321,528</u>	<u>648,389</u>

The government grant received in advance relates to the REEsilience and GREENE programs and the EIT Raw Material Booster Funding. This was utilised against expenditures incurred in 2025. The grants are subject to conditions, that if not met could result in repayment.

22. SHARE CAPITAL

(a) Common shares

The Company is authorised to issue an unlimited number of common and preferred shares without nominal or par value. The Company has not issued any preferred shares to date. The holders of common shares are entitled to one vote for each share on all matters submitted to a shareholder vote and are entitled to share in all dividends that the Company's board of directors, at its discretion, declares from available funds.

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	Ref	Number	Amount (\$)
Closing balance 31 December 2023		253,453,574	43,522,854
Issued for cash	(i)	15,000,000	943,957
Share issue expenses	(i)	-	(68,721)
Issued for cash	(ii)	25,000,000	678,996
Share issue expenses	(ii)	-	(152,521)
Issued for cash	(iii)	1,583,332	120,430
Share issue expenses	(iii)	-	(1,437)
Issued to EIT Raw Materials	(iii)	2,041,855	207,951
Share issue expenses	(iii)	-	(5,203)
Closing balance 31 December 2024		297,078,761	45,246,306
Issued for cash	(v)	29,187,500	2,892,866
Share issue expenses	(v)	-	(284,628)
Issued for cash	(v)	577,271	82,168
Share issue expenses	(v)	-	(9,771)
Exercise of broker warrants - cash	(vi)	209,375	21,676
Exercise of broker warrants - warrant charge	(vi)	-	12,859
Exercise of broker warrants - cash	(vii)	-	40,494
Exercise of broker warrants - warrant charge	(vii)	-	27,563
Exercise of investor warrants - cash	(vii)	5,690,000	480,160
Exercise of investor warrants - warrant charge	(vii)	-	1,517,752
Exercise of investor warrants - cash	(viii)	3,250,000	308,479
Exercise of investor warrants - warrant charge	(viii)	-	1,654,228
Share issue expenses	(viii)	-	(9,728)
Issued for cash	(ix)	10,000,000	2,335,583
Share issue expenses	(ix)	-	(483,162)
Exercise of broker warrants - cash	(x)	-	80,689
Exercise of broker warrants - warrant charge	(x)	1,200,000	56,101
Closing balance 31 December 2025		347,192,907	53,969,635

- (i) On 11 April 2024, Mkango raised gross proceeds of £750,000 (\$943,957) via a placing and subscription totalling 15,000,000 placing shares at a price of 5 pence per share. The net proceeds were £684,318 (\$875,236) after taking into account share issue costs which include the valuation of the broker warrants associated with the placing.
- (ii) On 5 September 2024, Mkango raised gross proceeds of £1,250,000 (approximately \$1,649,000) through a private placement of 25,000,000 shares at a price of 5 pence per share. In connection with the placement, the Company also issued 25,000,000 investor warrants—one warrant for each share issued. Each warrant entitles the holder to acquire one common share at a price of 7 pence (approximately \$0.092) per share, exercisable for a period of three years, expiring on 4 September 2027. On the date of issuance, the Company recognised a derivative liability of \$969,533 related to these investor warrants, which was deducted from the gross proceeds when recording the share capital.
- (iii) On 20 November 2024, 1,583,332 shares were issued to management in connection with the reduction in management salaries announced earlier in the year. For tax and regulatory purposes, a cash bonus was paid to management and the after tax bonus of £95,000 (\$120,430) was invested back into the Company via a private placement at a price of 6p per share.

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- (iv) On 26 November 2024, Mkango exercised its call option to acquire the 6 shares held by EIT Raw Materials in Mkango Polska with a nominal value of PLN50. To settle the agreed purchase price of EUR200,000 and PLN300, Mkango issued 2,041,855 shares on 30 December 2024 to EIT Raw Materials at a price of C\$0.145 (approximately 8.3 pence) per share.
- (v) On 31 January 2025, Mkango raised gross proceeds of £2,335,000 (\$2,892,866) via a placement and subscription totalling 29,187,500 issuing shares at a price of 8 pence per share. The net proceeds were £2,023,024 (\$2,608,238) after taking into account share issue costs which include the valuation of the broker warrants associated with the placing.
- (vi) On 27 March 2025, one of Mkango's warrant holders exercised 209,375 warrants into shares in the Company, at a price of 8 pence per share. Accordingly, the Company issued 209,375 common shares to satisfy this exercise. This included the cash receipt of £16,750 (\$21,676) and the transfer of \$12,859 fair value from contributed surplus to share capital.
- (vii) On 16 July 2025, one of Mkango's broker warrant holders exercised 600,000 warrants into shares in the Company, at a price of 5 pence per share. Accordingly, the Company issued 600,000 common shares to satisfy this exercise. This included the cash receipt of £30,000 (\$40,494) and the transfer of \$27,563 fair value from contributed surplus to share capital. Additionally, one of Mkango's warrant holders exercised 5,090,000 warrants into shares in the Company, at a price of 7 pence per share. Accordingly, the Company issued 5,090,000 common shares to satisfy this exercise. This included the cash receipt of £356,300 (\$480,160) and the transfer of \$1,517,752 from the derivative liability relating to the investor warrants to share capital.
- (viii) On 15 August 2025, one of Mkango's warrant holders exercised 3,250,000 warrants into shares in the Company, at a price of 7 pence per share. Accordingly, the Company issued 3,250,000 common shares to satisfy this exercise. This included the cash receipt of £227,500 (\$308,479) and the transfer of \$1,654,228 from the derivative liability relating to the investor warrants to share capital.
- (ix) On 2 October 2025, Mkango raised gross proceeds of £3,000,000 (approximately \$4,100,000) through a private placement of 10,000,000 shares at a price of 30 pence per share. In connection with the placement, the Company also issued 5,000,000 investor warrants—half of one warrant for each share issued. Each whole warrant entitles the holder to acquire one common share at a price of 45 pence (approximately \$0.57) per share, exercisable for a period of two years, expiring on 2 October 2027. On the date of issuance, the Company recognised a derivative liability of \$1,709,110 related to these investor warrants, which was deducted from the gross proceeds when recording the share capital. In addition the Company issued an aggregate of 500,000 broker warrants, exercisable for a period of three years, expiring 2 October 2028 and with an exercise price of 30 pence (approximately \$0.39). The valuation of the broker warrants associated with the placing were included in the share issue costs.
- (x) On 17 October 2025, one of Mkango's warrant holders exercised 1,200,000 warrants into shares in the Company, at a price of 5 pence per share. Accordingly, the Company issued 1,200,000 common shares to satisfy this exercise. This included the cash receipt of £60,000 (\$81,324) and the transfer of \$56,101 from the derivative liability relating to the investor warrants to share capital.

(b) Share-based payments

(i) Stock options

The Company has a rolling stock option plan (the "Plan") established to recognise contributions made by key personnel, to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continued association with the Company. The number of options granted under the

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Plan is limited to 10% in the aggregate of the number of issued and outstanding common shares of the Company at the date of the grant of the options.

On 10 May 2024, Derek Linfield, the Company's Chairman surrendered 1,250,000 options, previously granted on 30 August 2021 and 30 May 2023 to facilitate the awarding of Restricted Share Units to senior management.

On 27 March 2025, the Company granted 800,000 stock options to directors and employees of the Company. The Options have an exercise price of C\$0.255 (\$0.1782) per common share. The options vest over eighteen months and are valid for a period of ten years from the date of the grant.

On 9 June 2025, the Company granted 1,104,933 stock options to Derek Linfield, Chairman of the Company. The Options have an exercise price of C\$0.315 (\$0.2313) per common share. The options vest over 18 months and are valid for a period of ten years from the date of the grant. These Options were granted to Mr Linfield as he was eligible to receive options following the forfeiture of 1,250,000 options on 10 May 2024, which were reallocated to management of the Company in the form of restricted share units as part of management's agreement to receive a portion of their salary in shares. This forfeiture was in accordance with the TSX Venture Exchange policy, which stipulates a 12-month cooling-off period after forfeiture before new options may be granted.

The share-based payments expense that has been recognised in respect of stock options in the consolidated statements of comprehensive loss for the year ended 31 December 2025 is \$393,525 (31 December 2024: \$115,215). The stock options pursuant to the Plan vest over a term of 18 to 24 months.

The following tables provide a summary of information about the Company's stock option plan.

As at 31 December 2024	Options	Weighted-average exercise price (USD)
Opening	19,550,000	0.16
Cancelled – 10 May 2024	(1,250,000)	0.31
Expired	(381,666)	0.08
Total options	<u>17,918,334</u>	<u>0.15</u>
Vested options	15,333,959	0.15

As at 31 December 2025	Options	Weighted-average exercise price (USD)
Opening	17,918,334	0.15
Issued – 27 March 2025	800,000	0.18
Issued – 9 June 2025	1,104,933	0.23
Total options	<u>19,823,267</u>	<u>0.15</u>
Vested options	16,469,978	0.15

The following provides a summary of the stock option plan as at 31 December 2025

<i>Range of exercise price (USD)</i>	<i>Number outstanding</i>	<i>Weighted-average remaining contractual life (years)</i>	<i>Weighted-average exercise price (USD)</i>	<i>Number exercisable</i>
0.04 - 0.36	19,823,267	4.26	0.15	16,469,978

The following provides a summary of the stock option plan as at 31 December 2024

<i>Range of exercise price (USD)</i>	<i>Number outstanding</i>	<i>Weighted-average remaining contractual life (years)</i>	<i>Weighted-average exercise price (USD)</i>	<i>Number exercisable</i>
0.04 - 0.37	17,918,334	4.72	0.15	15,333,959

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The fair value of each share-based payment option granted is estimated as of the grant date using the Black-Scholes option-pricing model. The following assumptions were used to arrive at the fair value for the options that were issued during the year:

	26 March 2025	9 June 2025
Risk-free interest rate (%)	3.09	4.36
Expected life (years)	10	10
Expected volatility (%)	163.3	73.5
Dividends (%)	Nil	Nil
Forfeiture rate (%)	5	5
Weighted average fair value at issuance (USD)	0.253	0.186

(ii) Restricted Share Units (“RSUs”)

On 10 May 2024, Mkango issued 4,037,024 RSUs pursuant to the Company’s RSU plan as adopted on 25 October 2023, (“RSU Plan”), to William Dawes (1,513,884 RSUs), Alexander Lemon (1,513,884 RSUs) and Robert Sewell (1,009,256 RSUs). Each RSU is exchangeable, on vesting, for one common share of the Company.

On 28 October 2024, Mkango issued 2,814,999 RSUs pursuant to the Company’s RSU plan as adopted on 25 October 2023, to William Dawes (938,333 RSUs), Alexander Lemon (938,333 RSUs) and Robert Sewell (938,333 RSUs). Each RSU is exchangeable, on vesting, for one common share of the Company.

At 31 December 2024 the Company had 11,427,023 (31 December 2023: 4,575,000) RSUs outstanding. The RSUs vest over a period of ten years. The Company has recognised a share-based payment charge related to these RSUs of \$177,427 (31 December 2023: \$153,724) during the year ended 31 December 2024.

On 27 March 2025, issued 1,455,000 Restricted Share Units to Will Dawes (500,000 RSUs), Alexander Lemon (500,000 RSUs) and Robert Sewell (455,000 RSUs) with certain vesting conditions. Each RSU will, upon vesting, be capable of being redeemed for one Mkango Share. Of the total number of RSUs, 20% of these RSUs were contingent on first production being achieved in the UK by the end of Q2 2025 (achieved), 40% are contingent on first production being achieved in Germany by the end of 2025, and 40% are contingent on the listing of Mkango Rare Earths Limited on the NASDAQ exchange and the successful completion of the SPAC transaction by the end of 2025.

At 31 December 2025 the Company had 11,718,023 (31 December 2024: 11,427,023) RSUs outstanding. The RSUs vest over a period of ten years. The Company has recognised a share-based payment charge related to these RSUs of \$182,257 (31 December 2024: \$177,427) for the current year.

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(c) Broker warrants

The fair value of each broker warrant granted is estimated as of the grant date using the Black-Scholes option-pricing model. The following assumptions were used to arrive at the fair value for the broker warrants at date of issue:

	11 April 2024	5 September 2024	31 January 2025	2 October 2025
Share price (GBP)	0.065	0.065	0.091	50.5
Exercise price (GBP)	0.05	0.05	0.08	0.30
Risk-free interest rate (%)	4.60	3.73	4.54	3.97
Expected life (years)	3	3	3	2
Expected volatility (%)	69.4	67.7	73.5	88.3
Dividends (%)	Nil	Nil	Nil	Nil
Weighted average fair value (GBP)	0.03664	0.0355	0.0496	0.3144
Exchange rate	0.7976	0.7591	0.8068	0.7404
Weighted average fair value at issuance (USD)	0.0462	0.0468	0.0614	0.4246

On 11 April 2024, the Company issued 600,000 non-transferable warrants to the brokers who provided advice in connection with the 11 April 2024 placing. Each warrant is exercisable for a period of 3 years with an exercise price of £0.05 (\$0.067) per warrant

On 5 September 2024, the Company issued 1,250,000 non-transferable warrants to the brokers who provided advice in connection with the 5 September 2024 placing. Each warrant is exercisable for a period of 3 years with an exercise price of £0.05 (\$0.067) per warrant.

The fair value of each share-based payment warrant granted is estimated as of the grant date using the Black-Scholes option-pricing model. The following assumptions were used to arrive at the fair value for the broker warrants that were issued on 5 September 2024.

On 31 January 2025, the Company issued 1,459,375 non-transferable warrants to the brokers who provided advice in connection with the 31 January 2025 placing. Each warrant is exercisable for a period of 3 years with an exercise price of £0.08 (\$0.1031) per warrant.

The fair value of each share-based payment warrant granted is estimated as of the grant date using the Black-Scholes option-pricing model. The following assumptions were used to arrive at the fair value for the broker warrants that were issued on 31 January 2025.

On 27 March 2025, one of Mkango's broker warrant holders exercised 209,375 warrants over shares in the Company, at a price of 8 pence per share. Accordingly, the Company issued 209,375 common shares to satisfy this exercise. This included the cash receipt of £16,750 (\$21,676) and the transfer of \$12,859 fair value from contributed surplus to share capital.

On 16 July 2025, one of Mkango's broker warrant holders exercised 600,000 warrants over shares in the Company, at a price of 5 pence per share. Accordingly, the Company issued 600,000 common shares to satisfy this exercise. This included the cash receipt of £30,000 (\$40,494) and the transfer of \$27,563 fair value from contributed surplus to share capital.

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On 2 October 2025, the Company issued 500,000 non-transferable warrants to the brokers who provided advice in connection with the 2 October 2025 placing. Each warrant is exercisable for a period of 2 years with an exercise price of £0.30 (\$0.41 per warrant).

The following provides a summary of the Company's outstanding broker warrants as at 31 December 2025:

<i>Range of exercise price</i>	<i>Number outstanding</i>	<i>Weighted-average remaining contractual life (years)</i>	<i>Weighted-average exercise price</i>
0.065-0.395	1,800,000	1.84	0.18

The following provides a summary of the Company's outstanding broker warrants as at 31 December 2024:

<i>Range of exercise price</i>	<i>Number outstanding</i>	<i>Weighted-average remaining contractual life (years)</i>	<i>Weighted-average exercise price</i>
0.067	1,850,000	2.55	0.067

(d) Investor warrants

On 5 September 2024, the Company issued 25,000,000 investor warrants (one warrant for each subscription share issued on the same date). Each warrant will entitle the holder to acquire one common share at a price of £0.07 (\$0.092) per common share for a period of 3 years (i.e. up until 4 September 2027). On 5 September 2024, the Company recognised a derivative liability of \$969,533 related to these investor warrants. This derivative liability was revalued at \$1,286,206 on 31 December 2024 and the fair value adjustment of \$316,673 went through profit and loss.

The following provides a summary of the Company's outstanding investor warrants as at 31 December 2025:

<i>Range of exercise price</i>	<i>Number outstanding</i>	<i>Weighted-average remaining contractual life (years)</i>	<i>Weighted-average exercise price</i>
0.09 – 0.39	21,660,000	1.51	0.16

On 16 July 2025, one of Mkango's warrant holders exercised 5,090,000 warrants over shares in the Company, at a price of 7 pence per share. Accordingly, the Company issued 5,090,000 common shares to satisfy this exercise. This included the cash receipt of £356,300 (\$480,160) and the credit of \$1,517,752 to share capital.

On 15 August 2025, one of Mkango's warrant holders exercised 3,250,000 warrants over shares in the Company, at a price of 7 pence per share. Accordingly, the Company issued 3,250,000 common shares to satisfy this exercise. This included the cash receipt of £227,500 (\$308,479) and the credit of \$1,654,228 to share capital.

The fair value of each share-based payment warrant granted is estimated as of the grant date using the Black-Scholes option-pricing model. The following assumptions were used to arrive at the fair value for the investor warrants that were issued on 5 September 2024, they were re-valued on the exercise on 16 July 2025 and 15 August 2025 and on year end 31 December 2025:

	5 September 2024	16 July 2025	15 August 2025	31 December 2025
Share price (GBP)	0.065	0.2775	0.435	0.465
Exercise price (GBP)	0.07	0.07	0.07	0.07
Risk-free interest rate (%)	3.73	4.455	4.316	3.63
Expected life (years)	3	2.14	2.058	1.679
Expected volatility (%)	67.7	84.6	85.71	91.87
Dividends (%)	Nil	Nil	Nil	Nil
Weighted average fair value (GBP)	0.0294	0.2222	0.3755	0.4030
Exchange rate	0.76	0.745	0.738	0.743
Weighted average fair value (USD)	0.0388	0.2982	0.5090	0.5427

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On 2 October 2025, the Company issued 5,000,000 investor warrants (half of one warrant for each subscription share issued on the same date). Each warrant will entitle the holder to acquire one common share at a price of £0.30 (\$0.39) per common share for a period of 2 years (i.e. up until 2 October 2027). On 2 October 2025, the Company recognised a derivative liability of \$1,709,110 related to these investor warrants. This derivative liability was revalued at \$1,492,156 on 31 December 2025 and the fair value adjustment of \$216,953 went through profit and loss.

	2 October 2025	31 December 2025
Share price (GBP)	0.505	0.465
Exercise price (GBP)	0.45	0.45
Risk-free interest rate (%)	3.97	3.75
Expected life (years)	2	1.753
Expected volatility (%)	84.28	90.16
Dividends (%)	Nil	Nil
Weighted average fair value (GBP)	0.2537	0.2216
Exchange rate	0.742	0.743
Weighted average fair value (USD)	0.3418	0.2984

23. FINANCIAL INSTRUMENTS

Determination of fair values

Financial assets and liabilities have been classified into the following categories: (i) fair value through profit or loss and, (ii) amortised costs. Each category has a defined basis of measurement. If a category is measured at fair value, any changes in fair value are recognised in the consolidated financial statements of comprehensive loss.

In establishing fair value, the Company uses a fair value hierarchy based on levels defined below:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The carrying value of cash, other receivables, accounts payable and accrued liabilities, and amounts due to/(from) related parties, approximates the fair value due to their short-term nature and maturity.

Derivative warrants are established using level 2 and the convertible loan note is established using level 3 of the fair value hierarchy.

Financial risk management

The Company's management monitors and manages the financial risks relating to the operations of the Company. These include foreign currency, interest rate, liquidity and credit risks.

Foreign currency risk

The Company enters into transactions denominated in the C\$, the US dollar, the Euro, the GBP, the Australian dollar, the South African Rand, the Polish Zloty and the Malawian Kwacha. The Company raises its equity in the C\$, and the GBP, and then purchases the US dollar, the Australian dollar, the South African Rand, the Euro, the Polish Zloty and the Malawian Kwacha to settle liabilities. The Company minimizes exposure to foreign exchange loss by converting funds to the appropriate currencies upon receipt of funding based on the expected use of the various foreign currencies. The Company's exposure to foreign currency risk as at 31 December 2024 and 31 December 2023, is most significantly influenced by the following cash amounts held in foreign currencies (amounts shown in US dollars):

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	31 December 2025	31 December 2024
Cash:		
Canadian Dollar	295	390
United States Dollar	477,604	14,934
Pound Sterling	2,267,964	752,905
Euro	311,696	386,865
Malawian Kwacha	849	2,918
Australian Dollar	79	73
Polish Zloty	74	1,722
	<u>3,058,561</u>	<u>1,159,807</u>

A 5% reduction in the value of the C\$, Euro, GBP, MWK and AUD in comparison to the USD would cause a change in net loss of approximately \$152,928 (31 December 2024: \$57,244).

Interest-rate risk

The Company's exposure to interest-rate risk relates primarily to its cash at bank and its exposure to interest rate risk on the convertible debt, however the convertible debt is at a fixed interest rate and the interest-rate risk overall is expected to be minimal. The Company does not presently hedge against movements in interest rates.

Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to dispose of financial assets at a value which is less than the fair value; or
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements including amounts projected to complete the Company's existing capital expenditure program are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may require the Company to conduct equity issuances or obtain other forms of financing. The Company manages its liquidity risk by maintaining adequate cash and is actively seeking additional funding to improve its exposure to liquidity risk. The Company continually monitors its actual and forecast cash flows to ensure that there are adequate reserves to meet the maturing profiles of its financial liabilities.

The following table outlines the maturities of the Company's financial liabilities as at 31 December 2025:

	Contractual cash flows	Less than 1 year	Greater than 1 year
Accounts payable and accrued liabilities	2,321,528	2,321,528	-
Due to related parties	115,509	115,509	-
Lease liability	1,252,179	187,906	1,064,273
Convertible loan note	458,873	458,873	-
Derivative liability – BCA Note	189,780	189,780	-

The following table outlines the maturities of the Company's financial liabilities as at 31 December 2024:

	Contractual cash flows	Less than 1 year	Greater than 1 year
Accounts payable and accrued liabilities	648,389	648,389	-
Due to related parties	300,563	300,563	-
Lease liability	1,185,259	159,489	1,025,770

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Credit risk

The Company's principal financial asset is cash. The credit risk on cash is limited because the majority is deposited with banks with high credit ratings assigned by international credit-rating agencies.

Financial instruments by category

Financial Assets

	Fair value through profit or loss		Amortised cost	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024
Cash	-	-	3,058,561	1,159,807
Receivables	-	-	238,843	30,401
Due from related parties	-	-	228,292	57,781
Total financial assets	-	-	3,525,696	1,247,989

Financial liabilities

Accounts payable and accrued liabilities	-	-	2,321,528	648,389
Due to related parties	-	-	115,509	300,563
Finance lease liability	-	-	1,252,179	1,185,259
BCA Note	-	-	458,873	-
Derivative liability	10,598,289	1,286,206	-	-
Derivative liability – BCA Note	189,780	-	-	-
Total financial liabilities	10,788,069	1,286,206	4,148,089	2,134,211

24. COMMITMENTS

Malawi

The Company was first granted the Phalombe Licence for the Songwe property on 21 January 2010. The licence was issued by the Government of Malawi on an initial three-year basis. The licence was subsequently renewed every two years and was renewed for a third time on 21 January 2019. On 1 June 2021, the Phalombe Licence was transferred into 11 retention licences covering a total of 250 sq km. Each retention licence is for a five-year period from 1 June 2021. The future spending commitments for the exploration rights with the Government of Malawi were 150,000,000 Kwacha (\$86,536) over two years, which have been met.

On 10 September 2010, the Company was granted an additional exploration licence by the Malawi Minister of Natural Resources, Energy and Environment in the Thambani area, Mwanza District, Malawi. The licence was issued by the Government of Malawi on an initial three-year basis and was subsequently renewed from 10 September 2015 for additional two-year periods. The Company has subsequently been granted four retention licences for a period of five years from 9 November 2021.

HyProMag Germany

As at 31 December 2025, the Company had outstanding commitments related to the purchase of specialised equipment for use in its German operations. Contracts for this equipment have been signed, and progress payments have been made during the year.

The remaining committed payments, which fall due within the next 12 months, total approximately \$1,020,857 and are expected to be settled in line with the agreed manufacturing and delivery schedules.

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25. TAXES

The differences between the tax provisions calculated using the statutory rates and the reported tax provision are as follows:

	For the year ended 31 December 2025	For the year ended 31 December 2024
Losses before taxes	(17,789,459)	(564,521)
Statutory tax rate	27%	27%
Expected tax recovery	(4,803,154)	(152,421)
Increase (decrease) in taxes:		
Non-deductible expenses	3,070,636	232,857
Reversal of contingent consideration	-	(874,031)
Tax rate differential between Canada and foreign jurisdictions (30% in Malawi, 0% in BVI, 25% in UK, 19% in Poland, 30% in Germany)	422,911	83,666
Change in deferred tax assets not recognised	1,166,757	566,687
Tax expense (recovery)	<u>(142,850)</u>	<u>(143,242)</u>

No deferred tax assets have been recognised in respect of the following deductible temporary differences as it is not probable that future taxable profit will allow the deferred tax asset to be recovered.

	For the year ended 31 December 2025	For the year ended 31 December 2024
Exploration and evaluation costs	8,409,055	8,322,761
Loss carry forwards - Canada	6,762,804	5,396,445
Loss carry forwards - UK	5,573,994	3,109,909
Loss carry forwards - Poland	461,893	424,867
Loss carry forwards - Malawi	5,510,298	5,397,826
Loss carry forwards - Germany	984,108	101,775
	<u>27,702,152</u>	<u>22,753,583</u>

As at 31 December 2025, the Company had \$6,762,804 (2024: \$5,396,445) in non-capital losses available to claim against future taxable income in Canada. These non-capital losses expire as follows:

	Amount (\$)
2032	147,838
2033	425,153
2034	491,094
2035	461,597
2036	433,971
2037	-
2038	562,696
2039	153,290
2040	259,078
2041	754,306
2042	481,284
2043	519,189
2044	2,860,522
2045	833,968
	<u>8,383,986</u>

As at 31 December 2025, the Company had unutilized exploration and evaluation costs of \$8,409,055 (2024: \$8,322,761) to claim against future taxable income in Canada. These capital losses do not expire.

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As at 31 December 2025, the Company had \$5,510,298 (2024: \$5,397,826), \$461,893 (2024: \$424,867), \$5,573,994 (2024: \$3,109,909), and \$461,044 (2024: \$101,775) in non-capital losses available to claim against future taxable income in Malawi, Poland, UK and Germany respectively. These non-capital losses do not expire.

The deductible temporary differences attributable to subsidiaries in the BVI have not been disclosed as those subsidiaries are not subject to income tax in the BVI.

Deferred tax liability

	31 December 2025	31 December 2024
Opening balance	857,492	1,000,734
Deferred tax recovery	(142,850)	(143,242)
Closing balance	714,642	857,492

26. LOSS PER SHARE

The calculation of basic earnings per share at 31 December 2025 was based on the loss attributable to ordinary shareholders of \$16,687,176 (31 December 2024: \$786,218) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2025 of 330,943,421 (31 December 2024: 272,447,996) calculated as follows:

	31 December 2025	31 December 2024
Loss attributable to the ordinary shareholders (USD)	(16,687,176)	(786,218)
Number of ordinary shares outstanding at beginning of year	297,078,761	253,453,574
Effect of shares issued during the year	33,864,660	18,994,422
Weighted average number of ordinary shares outstanding	330,943,421	272,447,996
Loss per share (USD)	(0.0504)	(0.0029)

Diluted loss per share did not include the effect of options, warrants and RSUs for the year ended 31 December 2025 as they were anti-dilutive.

27. CAPITAL MANAGEMENT

The Company's total capital consists of Mkango's shareholders' equity of (\$665,110) as at 31 December 2025 (31 December 2024: \$6,433,611). The Company's financing strategy includes the issuance of shares with warrants (note 17), giving rise to investor warrant derivative liabilities that are sensitive to share price movements and have resulted in significant non-cash fair value losses and derivative liabilities. Upon exercise, these liabilities will be reclassified to equity.

The Company's objective when managing its capital is to have sufficient capital to maintain its ongoing operations, pursue its strategic opportunities and maintain a flexible capital structure which optimises the cost of capital at an acceptable risk. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company. The Company has no externally imposed capital requirements. There have been no changes to how the Company manages its capital in the current year.

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28. SUBSEQUENT EVENTS

a) Equity Fundraising

On 10 April 2026, Mkango raised gross proceeds of £11,700,000 (approximately \$15,500,000) via a private placement through the issuance of 37,878,788 common shares of the Company at a price per share of 33 pence. The Company intends to use the net proceeds of the placing to acquire a synergistic German magnet business, fund capital expenditure of the German operations and acquire additional equipment for HyProMag UK to scale operations as well as to fund working capital requirements of the business. The aggregate fees and commissions of the deal amounted to £435,583 (approximately \$589,000) which were paid to Peel Hunt LLP, H&P Advisory and Alternative Resource Capital who acted as joint bookrunners for the placing. The fees and commissions comprised of a base commission of 5% of gross proceeds and a discretionary commission of 1% of gross proceeds of the placing. Red Cloud acted as Canadian Adviser for the placing and the LIFE Offering and received a cash commission of £10,499 (C\$19,292) representing a 5.0% commission of the gross proceeds received from investors introduced by Red Cloud.