



Unaudited Condensed Interim Consolidated Financial Statements

MKANGO RESOURCES LTD.

For the six months ended 30 June 2026 and 2025

Notice to Reader: The accompanying unaudited interim condensed consolidated financial statements have been prepared by and are the responsibility of management. The unaudited interim condensed consolidated financial statements for the six-month periods ended 30 June 2026 and 30 June 2025 have not been reviewed by MNP LLP, the Company's independent external auditor.

MKANGO RESOURCES LTD
Unaudited Condensed Interim Consolidated Statement of Financial Position

Expressed in US dollars		As at	As at
	Notes	30 June 2026	31 December 2025
		(unaudited)	(audited)
ASSETS			
Current			
Cash and cash equivalents		13,638,507	3,058,561
Government remittances receivable	7	99,596	270,060
Other receivables, prepaid expenses and accrued income		335,991	239,333
Inventory	8	11,266	-
Due from related parties	13	36,866	227,801
Total current assets		14,122,226	3,795,755
Non-current			
Exploration and evaluation assets		801,964	780,408
Intangible assets		2,598,119	2,867,817
Goodwill		2,681,441	2,681,441
Property, plant and equipment	9	6,679,915	4,860,269
Total non-current assets		12,761,439	11,189,935
TOTAL ASSETS		26,883,665	14,985,690
LIABILITIES			
Current			
Accounts payable and accrued liabilities	14	2,759,945	2,321,528
Derivative liability	10	8,750,807	10,598,289
Derivative liability – Convertible Loan Notes	11	149,157	189,780
Convertible loan notes	11	822,113	458,873
Due to related parties	13	55,117	115,509
Lease liability	12	178,013	187,906
Total current liabilities		12,715,152	13,871,885
Non-current			
Deferred tax liability		643,804	714,642
Lease liability	12	1,446,211	1,064,273
Total non-current liabilities		2,090,015	1,778,915
TOTAL LIABILITIES		14,805,167	15,650,800
SHAREHOLDERS' EQUITY			
Share capital	15	69,749,238	53,969,635
Contributed surplus		6,867,697	6,850,638
Accumulated other comprehensive loss		(99,744)	215,477
Retained deficit		(66,903,584)	(64,338,681)
Equity attributable to the owners of the Company		9,613,607	(3,302,931)
Non-controlling interest		2,464,891	2,637,821
TOTAL EQUITY		12,078,498	(665,110)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		26,883,665	14,985,690
Subsequent events & Commitments (Note 19 and Note 16)			

On behalf of the Board of Directors:

MKANGO RESOURCES LTD
Unaudited Condensed Interim Consolidated Statement of Financial Position

William Dawes, Chief Executive Officer, Director

Alexander Lemon, President, Director

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

		For the six months ended	
	Notes	30 June 2026 (unaudited)	30 June 2025 (unaudited)
Sales	5	51,621	-
Cost of Sales		(65,141)	-
Gross loss		(13,520)	-
Expenses			
General and administrative	6	(4,678,889)	(2,564,349)
Mineral project expenditures		(79,083)	(53,086)
Total Expenses		(4,757,972)	(2,617,435)
Other items			
Other income		64,571	-
Interest income		6	6
Finance expense	11,12	(325,119)	(22,849)
Foreign exchange (loss)/gain		(95,439)	747,839
Fair value adjustment – derivative liability Convertible Loan Notes	11	189,780	-
Fair value adjustment – derivative liability	10	1,847,482	(1,837,782)
Loss before tax		(3,090,211)	(3,730,221)
Income tax		70,838	70,838
Loss after tax		(3,019,373)	(3,659,383)
Loss attributable to			
Common shareholders		(2,564,903)	(3,501,228)
Non-controlling interest		(454,470)	(158,155)
Attributable loss		(3,019,373)	(3,659,383)
Other comprehensive loss			
Items that may be reclassified subsequently to net loss:			
Exchange difference on translating foreign operations		(315,220)	(313,961)
Total comprehensive loss		(3,334,593)	(3,973,344)
Total comprehensive loss attributable to			
Common shareholders		(2,880,123)	(3,815,189)
Non-controlling interest		(454,470)	(158,155)
Attributable comprehensive loss		(3,334,593)	(3,973,344)
Earnings/(loss) per share - basic and diluted	18	(0.0070)	(0.011)

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

MKANGO RESOURCES LTD

Unaudited Condensed Interim Consolidated Statements of Cash Flows

Expressed in US dollars

MKANGO RESOURCES LTD**Unaudited Condensed Interim Consolidated Statements of Cash Flows**

Expressed in US dollars

		For the six months ended:	
	Notes	30 June 2026	30 June 2025
		(unaudited)	(unaudited)
Cash flow used by operating activities			
Loss for the period		(3,019,373)	(3,659,383)
Adjustments for:			
Share based payments		298,820	240,874
Depreciation	9	282,432	154,571
Amortisation of intangible assets		264,007	264,007
Finance expense – lease	12	55,222	22,790
Finance expense – Convertible Loan Notes	11	269,897	-
Fair value adjustment – embedded derivative	11	(189,780)	-
Fair value adjustment – derivative liability	10	(1,847,482)	1,837,782
Deferred tax income		(70,838)	(70,838)
Change in non-cash operating capital			
Inventory		(11,266)	-
Government remittances receivable		170,464	(237,757)
Prepaid expenses and accrued income		(96,658)	(114,712)
Due to/(from) related parties		130,544	(255,969)
Accounts payable and accrued liabilities		416,864	376,653
Cash flow used by operating activities		(3,347,147)	(1,441,982)
Cash flow used by investing activities			
Acquisition of exploration and evaluation assets		-	(9,431)
Acquisition of property, plant and equipment	9	(1,775,625) ¹	(925,329)
Cash flow used by investing activities		(1,775,625)	(934,760)
Cash flow generated by financing activities			
Share and warrant issue proceeds		16,897,778	2,923,540
Share issue expenses		(1,399,937)	(131,599)
CoTec investment into Maginito		281,539	331,736
Repayment of lease liability		(123,451)	(106,108)
Convertible loan note interest paid		(7,500)	-
Convertible loan note proceeds		250,000	-
Cash flow generated by financing activities		15,898,429	3,017,569
Change in cash		10,775,657	640,827
Effect of exchange rate changes on cash		(195,711)	(592,629)
Cash at the beginning of the period		3,058,561	1,159,807
Cash at the end of the period		13,638,507	1,208,005

¹ The acquisition of property, plant and equipment includes the material non-cash acquisition of right-of-use assets and the non-cash negative additions.

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

MKANGO RESOURCES LTD
Unaudited Condensed Interim 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 2024	45,246,306	6,069,441	(63,943)	(47,372,085)	3,879,719	2,553,892	6,433,611
Loss for the year	-	-	-	(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	5,310,616	-	-	-	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)
Profit/(loss) for the period	-	-	-	(2,564,903)	(2,564,903)	(454,470)	(3,019,373)
Other comprehensive income							
Foreign exchange losses	-	-	(315,221)	-	(315,221)	-	(315,221)
Total comprehensive profit/(loss)	-	-	(315,221)	(2,564,903)	(2,880,124)	(454,470)	(3,334,594)
Transactions with owners:							
Issue of shares	16,844,840	-	-	-	16,844,840	-	16,844,840
Share issue expenses	(1,399,936)	-	-	-	(1,399,072)	-	(1,399,937)
Exercise of share options	96,551	(43,612)	-	-	52,939	-	52,939
CoTec investment into Maginito	-	-	-	-	-	281,540	281,540
Share based payments	-	298,820	-	-	298,820	-	298,820
RSU exercises	238,149	(238,149)	-	-	-	-	-
Balance at 30 June 2026	69,749,238	6,867,697	(99,744)	(66,903,584)	9,613,607	2,464,891	12,078,498

MKANGO RESOURCES LTD

Unaudited Condensed Interim Consolidated Statement of Changes in Equity

Expressed in US dollars

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

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Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended 30 June 2026 and 30 June 2025

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 28 August 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 in both its mining and recycling operations. Its recycling operations are in the startup phase and it has only recognised a nominal amount of revenue from the sale of alloy powder shipped during the period. As is common with early-stage mining companies, it has not recognised any revenue from its mining-related projects. For the six months ended 30 June 2026, the Company incurred a loss after tax of \$3,019,373 (six-month period ended 30 June 2025: loss of \$3,659,383), had an accumulated deficit of \$66,903,584 (31 December 2025: \$64,338,681) and had negative cash flows from operations for the six months ended 30 June 2026 of \$3,347,147 (six-month period ended 30 June 2025: \$1,441,982).

During the period 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 equity raised during the period, 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 and reporting framework

The condensed interim consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34 – Interim Financial Reporting.

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Effective 30 June 2026, the Company elected to adopt semi-annual financial reporting in reliance on the exemptions provided under Coordinated Blanket Order 51-933, Exemptions to Permit Semi-Annual Reporting for Certain Venture Issuers (“CBO 51-933”), issued by the Canadian Securities Administrators (“CSA”). CBO 51-933 permits eligible venture issuers to voluntarily transition from quarterly to semi-annual financial reporting, subject to the terms and conditions of the Blanket Order.

Accordingly, these condensed interim consolidated financial statements represent the Company’s six-month interim financial reporting period ended 30 June 2026. The Company is no longer required to prepare and file interim financial statements and related Management’s Discussion and Analysis (“MD&A”) for the three-month and nine-month interim periods, being the first and third quarters of its financial year, for so long as the Company continues to satisfy the eligibility requirements and conditions of CBO 51-933.

The adoption of semi-annual financial reporting represents a change in the frequency of the Company’s financial reporting and does not represent a change in the Company’s accounting policies or the basis of accounting applied in the preparation of these condensed interim consolidated financial statements. The financial statements continue to be prepared in accordance with IAS 34 and the accounting policies applied in the preparation of the Company’s annual consolidated financial statements.

The comparative information presented in these condensed interim consolidated financial statements has been prepared on a basis consistent with the current period, except where otherwise disclosed.

The Company will continue to prepare and file audited annual consolidated financial statements and semi-annual condensed interim consolidated financial statements in accordance with applicable Canadian securities legislation and the requirements of CBO 51-933.

The Company continues to be subject to the continuous disclosure requirements applicable to reporting issuers, including the requirement to disclose material changes and other information required under applicable securities legislation.

These condensed interim consolidated financial statements do not include all of the information and disclosures required for annual consolidated financial statements and should therefore be read in conjunction with the Company’s audited consolidated financial statements for the year ended 31 December 2025.

(b) Basis of presentation and measurement

In the preparation of these condensed interim consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended 31 December 2025 except as outlined in Note 4.

(c) Functional and presentation currency and principles of consolidation

The condensed interim 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% (2025: 100%)
Lancaster Exploration Limited (“Lancaster Malawi”)	Malawi Kwacha	100% (2025: 100%)
Maginito Limited (“Maginito”)	Pound Sterling	79.4% (2025: 79.4%)
MKA Exploration Limited (“MKA Exploration”)	Malawi Kwacha	100% (2025: 100%)
MKA Exploration Limited (“MKA Exploration Malawi”)	Malawi Kwacha	100% (2025: 100%)

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Mkango Rare Earths UK Limited (“Mkango UK”)	Pound Sterling	79.4% (2025: 79.4%)
Mkango Polska Sp. z o.o. (“Mkango Polska”)	Euros	100% (2025: 100%)
Mkango ServiceCo UK Limited (“Mkango ServiceCo”)	Pound Sterling	100% (2025: 100%)
HyProMag Limited (“HyProMag UK”)	Pound Sterling	79.4% (2025: 79.4%)
HyProMag GmbH (“HyProMag Germany”)	Euros	63.5% (2025: 63.5%)
Mkango Cayman (“Mkango Cayman”)	US Dollars	100% (2025: 100%)
Mkango GmbH (“Mkango Germany”)*	Euros	100%

* Mkango GmbH is the entity which acquired the Remloy business

The condensed interim 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.

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

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Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended 30 June 2026 and 30 June 2025

All figures in US dollars unless indicated otherwise

The preparation of financial statements requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates requires the exercise of judgments based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates. The use of estimates and judgments are the same as those applied in the Company's audited consolidated financial statements as at and for the year ended 31 December 2025.

(f) New accounting standards, amendments and interpretations adopted

The Company has adopted amendments effective 1 January 2026, related to amendments to *IFRS 9: Financial Instruments* and *IFRS 7: Classification and Measurement of Financial Instruments*, 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 2027, that have not been applied in preparing the financial statements for the half year ended 30 June 2026. 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* however the impact is not expected to be material.

4. MATERIAL ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these condensed interim consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2025.

The Company has adopted the following accounting policy in accordance with IFRS15 Revenue from Contracts with Customers following the first commercial sales of alloy powder during the period:

Revenue

The Company manufactures and sells alloy powder to customers in various markets and has adopted a new accounting policy on how it recognizes and measures these items.

Revenue is recognised in accordance with IFRS 15 Revenue from Contracts with Customers when control of the goods is transferred to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company's contracts with customers generally contain a single performance obligation, being the delivery of manufactured products. Revenue is recognised at a point in time when control of the products passes to the customer, which is typically determined with reference to the contractual shipping terms and occurs upon delivery to the customer, shipment of the goods, or acceptance by the customer, depending on the terms of the contract.

The transaction price comprises the amount specified in the contract. Revenue is measured net of value-added taxes, sales taxes and similar levies collected on behalf of governmental authorities.

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All figures in US dollars unless indicated otherwise

Inventories

The company's inventories comprise magnet and alloy feedstock, work in progress, and finished neodymium-iron-boron alloy powder and magnets. Inventories are measured at the lower of cost and net realisable value. The cost of alloy powder inventories is assigned on a weighted average cost basis.

Cost comprises the purchase price of feedstock, including irrecoverable duties and transport and handling costs, net of trade discounts and rebates, together with the costs of conversion and any other costs incurred in bringing the inventories to their present location and condition. Feedstock acquired for no consideration is recognised at nil cost, with the costs of collection, transport and pre-processing included in cost.

Costs of conversion comprise costs directly related to production, together with a systematic allocation of fixed and variable production overheads incurred in converting feedstock into finished goods. Fixed production overheads are allocated on the basis of the normal capacity of the production facility concerned. Where actual production is lower than normal capacity, the amount of fixed overhead allocated to each unit of production is not increased, and unallocated overheads are recognised as an expense in the period in which they are incurred. Where production is abnormally high, the allocation is reduced so that inventories are not measured above cost.

Normal capacity is the production expected to be achieved on average over a number of periods under normal circumstances, having regard to the stage of commissioning of the facility, planned maintenance and expected downtime. Normal capacity is assessed for each facility and is reviewed at each reporting date.

Abnormal amounts of wasted materials, labour and other production costs, storage costs other than those necessary in the production process, administrative overheads that do not contribute to bringing inventories to their present location and condition, and selling costs are excluded from the cost of inventories and are recognised as expenses in the period in which they are incurred.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories are written down to net realisable value where cost is not recoverable, and the write-down is recognised as an expense in the period in which it occurs. The assessment is made at each reporting date, and where the circumstances that gave rise to a write-down no longer exist the write-down is reversed, limited to the amount originally written down.

When inventories are sold, their carrying amount is recognised as an expense within cost of sales in the period in which the related revenue is recognised.

Inventories acquired in a business combination are measured at fair value at the acquisition date.

Government grants

The Company amended its accounting policy on government grants as follows:

Government grants, including non-monetary grants at fair value, are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Grants related to assets

Grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are deducted in arriving at the carrying amount of the related asset. The grant is recognised in profit or loss over the useful life of the asset by way of a reduced depreciation charge.

Grants related to income

Grants receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Company with no future related costs, are recognised in profit or loss in the period in which they become receivable. Other grants related to income are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs which

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the grants are intended to compensate. Such grants are deducted in reporting the related expense. Mineral exploration expenditures are recorded net of grant proceeds.

Grants received in advance

Grant funding received before the related conditions have been satisfied or the related expenditure has been incurred is recognised as a liability, presented as government grants received in advance, and is released as those conditions are met.

Repayment

A government grant that becomes repayable is accounted for as a change in accounting estimate. Repayment of a grant related to income is applied first against any unamortised deferred credit, and any excess is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset, and the cumulative additional depreciation that would have been recognised to date in the absence of the grant is recognised immediately in profit or loss.

Forgivable loans

Loans from government which the lender undertakes to waive on prescribed conditions are treated as government grants when there is reasonable assurance that the Company will meet the terms for forgiveness.

5. SEGMENTED INFORMATION

The Company operates in three reportable segments, based on the nature of operations and internal reporting to the Chief Executive Officer and President:

Rare earths recycling operations – the 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. (Mkango Rare Earth Limited (BVI), Mkango Rare Earths 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.

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

Segment results for the 6 months ended 30 June 2026

	Operating expenses (net of grants)	Depreciation and amortisation	Revenue*	Profit/(loss) before tax	Assets	Liabilities
Rare earths recycling projects	(2,040,863)	(535,861)	51,621	(2,134,193)	13,171,806	3,565,496
Rare earths mining and refining projects	(1,256,080)	(577)	-	(1,340,897)	1,190,845	2,084,411
Corporate	(1,461,029)	(10,001)	-	384,879	12,521,014	9,155,260
	(4,757,972)	(546,439)	51,621	(3,090,211)	26,883,665	14,805,167

* Revenue recognised in the period related to the sale of alloy powder delivered during the period

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Segment results for the 6 months ended 30 June 2025

	Operating expenses (net of grants)	Depreciation and amortisation	Revenue	Profit/(loss) before tax	Assets	Liabilities
Rare earths recycling projects	(788,942)	(416,532)	-	(782,342)	11,642,235	3,546,520
Rare earths mining and refining projects	(576,927)	(1,416)	-	(579,747)	997,204	410,923
Corporate	(1,251,566)	(630)	-	(2,368,132)	602,899	3,307,414
	(2,617,435)	(418,578)	-	(3,730,221)	13,242,338	7,264,857

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:

	30 June 2026	31 December 2025
United Kingdom	1,987,770	1,215,953
Malawi	802,250	781,271
Germany	4,691,859	3,643,453
Poland	198,714	204,404
	7,680,593	5,845,081

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

	6 months ended 30 June 2026	6 months ended 30 June 2025
Audit fees	112,904	120,643
Salaries and consulting fees	1,444,159	770,717
Share-based payments	298,820	240,874
Depreciation – Note 8	282,432	154,571
Amortisation of intangible assets	264,007	264,007
Expected credit losses	329	682
Travel and Marketing	109,885	81,306
SPAC Transaction Expenses	982,919	343,297
HyProMag expenses (excl salaries)	273,003	18,877
Mkango Rare Earths UK expenses (excl salaries)	132,290	190,752
Legal and professional fees	367,499	91,981
Other	410,642	286,642
	4,678,889	2,564,349

- Salaries and consulting fees in the current year are increased due to the reclassification of HyProMag UK, HyProMag GmbH and Mkango UK salaries into this line item.
- The share-based payments charge in the current period were increased due to the accelerated vesting of RSUs issued to Robert Sewell on resignation.
- Depreciation in the current year increased due to acquisition of new assets in HyProMag UK and HyProMag GmbH.
- SPAC transactional costs increased as the SPAC transaction progressed, these costs are expected to reduce in future quarters and not recur in future.
- Legal and professional include the legal fees relating to the acquisition of Remloy

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7. GOVERNMENT REMITTANCES RECEIVABLE

	30 June 2026	31 December 2025
Recoverable within one year	99,596	270,060
	<u>99,596</u>	<u>270,060</u>

The amount recoverable within one year relates to recoveries of indirect taxes paid to governments in the countries in which the Company operates and the balance recoverable mainly fluctuates as a result of the timing of capital expenditure.

8. INVENTORY

Inventory is stated at the lower of cost or net realisable value. Cost of inventories is assigned on a weighted average cost basis (refer note 4). The Company reviews inventory for obsolescence and slow-moving items on a periodic basis and records a valuation allowance when necessary to reduce inventory to net realisable value.

Inventory consists of:

	30 June 2026	31 December 2025
Alloy powder	11,266	-
	<u>11,266</u>	<u>-</u>

9. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Right of Use Asset	Plant and equipment	Computer Equipment	Vehicles	Leasehold Improvements	Total
Cost							
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
Additions	15,744	482,804	1,276,793	5,452	-	496,223	2,277,016
Negative additions	(18,587)	-	-	-	-	-	(18,587)
Foreign exchange differences	(1,647)	(50,765)	(115,632)	(367)	(255)	(13,263)	(181,929)
Balance at 30 June 2026	49,815	1,932,650	4,971,384	82,805	15,903	586,493	7,639,050
Accumulated Depreciation							
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	48,973	883	87	62	66,139
Balance at 31 December 2025	2,578	272,872	353,420	67,803	4,036	1,572	702,281
Depreciation	2,603	87,733	161,237	3,439	2,685	24,735	282,432
Foreign exchange differences	(165)	(9,312)	(15,159)	(280)	(101)	(561)	(25,578)
Balance at 30 June 2026	5,016	351,293	499,498	70,962	6,620	25,746	959,135
Net Book Value							
31 December 2025	51,727	1,227,739	3,456,803	9,917	12,122	101,961	4,860,269
30 June 2026	44,799	1,581,357	4,471,886	11,843	9,283	560,747	6,679,915

Additions to plant and equipment are presented net of government grants received. Gross additions for the 6 months ended 30 June 2026 were \$2,800,220. Government grants related to capital expenditure totalling \$523,204 were received in the 6 months ended 30 June 2026. 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. Included in plant and equipment is \$1,923,074 related to assets under construction that are not available for use as at 30 June 2026, relating to the HyProMag GmbH recycling plant.

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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. It was further extended to an option to renew for 10 years and a lease modification was processed as such. The ROU asset is now being depreciated over 10 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.

10. DERIVATIVE LIABILITY

At 30 June 2026, 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 15 (d))

	30 June 2026	31 December 2025
Opening balance	10,598,289	1,286,206
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	(1,847,482)	10,774,954
Closing balance	8,750,807	10,598,289

The total movement of for the period of \$1,847,482 (for the year ended 31 December 2025: \$10,774,954) arising from fair value adjustments during the year has been recognised as a non-cash charge in the consolidated statement of profit or loss.

11. CONVERTIBLE LOAN NOTE ("CONVERTIBLE NOTES")

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 to a sponsor of CPTK. On successful filing of the confidential F-4 on 16 February 2026 an additional note, the F-4 convertible loan note was issued.

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

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

The redemption amount of the BCA note is \$600,000, being the principal amount of \$500,000 plus 20% redemption premium, plus accumulated unpaid interest. The redemption amount of the F-4 note is \$300,000, being the principal amount of \$250,000 plus 20% redemption premium, plus accumulated unpaid interest.

Originally the conversion of the Note into Conversion Shares was mandatory on the completion of the SPAC Merger, if this completed before the Maturity Date, being 1 July 2026. The Note has not been called and is currently being renegotiated.

Conversion Shares are Class A Shares, which are equity instruments, in Mkango Rare Earths 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

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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 Notes 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 Notes are financial instruments within the scope of *IAS 32 Financial Instruments: Presentation* and *IFRS 9 Financial Instruments*.

Both Notes are 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.

At the Issue Date for the BCA Note the fair value 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.

At the Issue Date, the fair value of the F-4 Note was determined to be \$250,000, of which \$149,157 was recognised as an embedded derivative measured at fair value through profit or loss and the residual \$100,843 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 and the F-4 Note Conversion Option is highly sensitive to the assumed probability of successful completion of the SPAC Merger.

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.

At 13 February 2026 on the filing of the confidential F-4 and issue of the F-4 Note, management estimated a 50% probability of successful completion. The F-4 note has a maturity date of 12 February 2027.

In valuing the Notes at 30 June 2026, the probability of successful completion of the SPAC was still considered to be 50% and as such this probability was used to calculate the fair value. Prior to the expiry of the Maturity Date of 1 July 2026, the terms of agreement for the extension of the BCA Note are being negotiated but have not yet been signed. As of 30 June 2026, the fair value of the F4 Note Conversion Option is assessed at \$149,157. The host liability is measured at amortised cost, with interest recognised using the effective interest rate method.

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	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 – 31 December 2025	458,873	189,780
Opening balance	458,873	189,780
Issue of F-4 Note – 13 February 2026	100,843	149,157
Finance Charge	269,897	-
Payment of interest	(7,500)	-
Derivative liability – fair value adjustment	-	(189,780)
Closing balance – 30 June 2026	822,113	149,157

12. LEASES

The Company leases certain assets under lease agreements. During the year ended 31 December 2025, the Company entered a new lease for a corporate office in London, commencing 1 October 2025. The lease has an initial term of 5 years. During the period the manufacturing facility lease for HyProMag Germany was extended from an initial term of 5 years with an option to extend for a further 2 years to an initial term of 5 years with the options to extend for a further 5 years resulting in a lease modification.

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

	30 June 2026	31 December 2025
Opening balance	1,252,179	1,185,259
Additions	-	92,301
Modification	482,804	
Finance expense	55,222	46,307
Lease payments	(123,451)	(224,246)
Foreign exchange difference	(42,530)	152,558
Closing balance	1,624,224	1,252,179

As at 30 June 2026 and 31 December 2025, the Company’s lease liability is as follows:

Split between:	30 June 2026	31 December 2025
Current portion of lease liability	178,013	187,906
Non-current portion of lease liability	1,446,211	1,064,273
Closing balance	1,624,224	1,252,179

Future minimum lease payments to be paid by the Company as a lessee as of 30 June 2026 are as follows:

Maturity Analysis – Contractual undiscounted cash flows	
2026	176,438
2027	241,878
2028	241,878
Thereafter	1,218,776
Total future minimum lease payments	1,878,970
Discount to current value	(254,746)
Total	1,624,224

13. RELATED-PARTY TRANSACTIONS AND BALANCES

(a) Other related-party transactions

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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 30 June 2026, the Company was owed an amount of \$19,850 by Leo Mining (31 December 2025: \$7,216). The amount is unsecured and due on demand.

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

As of 30 June 2026, CoTec did not owe the Company funds (31 December 2025: \$117,240) 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.

The amounts due to related parties were as follows:

	30 June 2026	31 December 2025
Due to key management and directors	55,117	108,293
Leo Mining	-	7,216
Total due to related parties	55,117	115,509

The amounts due from related parties were as follows:

	30 June 2026	31 December 2025
Due from key management and directors	661	11,106
HyProMag USA	16,355	91,871
CoTec	-	117,240
Leo Mining	19,850	-
Mkango Cayman	-	7,584
Total due from related parties	36,866	227,801

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	30 June 2026	31 December 2025
Accounts payable	1,640,512	1,144,688
Other payables	211,945	124,723
Government grants received in advance	806,039	1,004,429
Accrued liabilities	101,449	47,688
	<u>2,759,945</u>	<u>2,321,528</u>

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

15. 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.

	Ref	Number	Amount (\$)
Closing balance 31 December 2024		297,078,761	45,246,306
Issued for cash	(i)	29,187,500	2,892,866
Share issue expenses	(i)		(284,628)
Issued for cash	(i)	577,271	82,168
Share issue expenses	(i)		(9,771)
Exercise of broker warrants - cash	(ii)	209,375	21,676

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Exercise of broker warrants - warrant charge	(ii)		12,859
Exercise of broker warrants - cash	(ii)		40,494
Exercise of broker warrants - warrant charge	(ii)		27,563
Exercise of investor warrants - cash	(iii)	5,690,000	480,160
Exercise of investor warrants - warrant charge	(iii)		1,517,752
Exercise of investor warrants - cash	(iv)	3,250,000	308,479
Exercise of investor warrants - warrant charge	(iv)		1,654,228
Share issue expenses	(iv)		(9,728)
Issued for cash	(v)	10,000,000	2,335,583
Share issue expenses	(v)		(483,162)
Exercise of broker warrants - cash	(v)		80,689
Exercise of broker warrants - warrant charge	(vi)	1,200,000	56,101
Closing balance 31 December 2025		347,192,907	53,969,635
Exercise of RSU's	(vii)	2,038,589	238,149
Share issue expenses	(vii)		(5,120)
Issued for cash	(viii)	37,878,788	16,844,840
Share issue expenses	(viii)		(1,394,817)
Exercise of share options - cash	(ix)	350,000	46,793
Exercise of share options - share based payments	(ix)		35,700
Exercise of share options - cash	(x)	143,334	6,146
Exercise of share options - share based payments	(x)		7,912
Closing balance 30 June 2026		387,603,618	69,749,238

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) 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.

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- (v) 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.
- (vi) 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.
- (vii) On 13 February 2026, Mkango's CFO Robert Sewell resigned and as part of his resignation 2,038,589 restricted share units vested. Accordingly, the Company issued 2,038,589 common shares to satisfy this vesting. This was accounted for with a transfer of \$238,149 fair value from contributed surplus to share capital.
- (viii) On 10 April 2026, Mkango raised gross proceeds of £12,500,000 (approximately \$16,700,000) 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 net proceeds were \$15,450,023 after taking into account share issue costs.
- (ix) On 23 April 2026, one of Mkango's option holders exercised 350,000 options over common shares in the Company, at a price of \$0.13 cents per share. Accordingly, the Company issued 350,000 common shares to satisfy this exercise. This included the cash receipt of £34,641 (\$46,793) and the transfer of \$35,700 fair value from contributed surplus to share capital.
- (x) On 16 June 2026, several Mkango consultants exercised 143,334 options over common shares in the Company, at a price of \$0.04 per share. Accordingly, the Company issued 143,334 common shares to satisfy this exercise. This included the cash receipt of £6,146 and the transfer of \$7,912 fair value from contributed surplus 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 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, less any options issued under its EMI Option Plan and RSUs (see below).

The Company has an Enterprise Management Share Option Plan ("EMI Plan") to provide management and other employees resident the UK with a portion of their options on a tax efficient basis. No options under the EMI Plan were issued during the period.

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.

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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.

On 23 April 2026, one of Mkango's option holders exercised 350,000 options over common shares in the Company, at a price of \$0.13 cents per share. Accordingly, the Company issued 350,00 common shares to satisfy this exercise. This included the cash receipt of £46,794 (\$63,168) and the transfer of \$35,700 fair value from contributed surplus to share capital.

On 16 June 2026, several Mkango consultants exercised 143,334 options over common shares in the Company, at a price of \$0.04 per share. Accordingly, the Company issued 143,334 common shares to satisfy this exercise. This included the cash receipt of £6,146 and the transfer of \$7,912 fair value from contributed surplus to share capital.

The share-based payments expense that has been recognised in respect of stock options in the consolidated statements of comprehensive loss for the period ended 30 June 2026 is \$188,288 (31 December 2025: \$393,525). 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 30 June 2026		Weighted-average exercise price (USD)
	Options	
Opening	19,823,267	0.15
Exercised	(493,334)	0.10
Total options	19,329,933	0.15
Vested options	15,976,644	0.15

As at 31 December 2025		Weighted-average exercise price (USD)
	Options	
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	19,823,267	0.15
Vested options	16,469,978	0.15

The following provides a summary of the stock and EMI option plans as at 30 June 2026

Range of exercise price (USD)	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price (USD)	Number exercisable
0.04 - 0.36	19,329,933	3.76	0.15	15,976,644

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

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

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 (%)	4.36	4.36
Expected life (years)	10	10

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Expected volatility (%)	73.5	73.5
Dividends (%)	Nil	Nil
Forfeiture rate (%)	5	5
Weighted average fair value at issuance (USD)	0.143	0.186

(ii) Restricted Share Units ("RSUs")

On 27 March 2025, the Company 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. Since the latter two milestones were not achieved, these RSUs lapsed.

On 13 February 2026, Mkango's CFO Robert Sewell resigned and as part of his resignation 2,038,589 restricted share units vested. Accordingly, the Company issued 2,038,589 common shares to satisfy this vesting. This was accounted for with a transfer of \$238,149 fair value from contributed surplus to share capital.

At 30 June 2026 the Company had 9,679,434 (31 December 2025: 11,718,023) 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 \$47,860 (31 December 2025: \$182,257) for the current year.

(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:

	31 January 2025	2 October 2025
Share price (GBP)	0.091	0.505
Exercise price (GBP)	0.08	0.30
Risk-free interest rate (%)	4.54	3.97
Expected life (years)	3	2
Expected volatility (%)	73.5	88.3
Dividends (%)	Nil	Nil
Weighted average fair value (GBP)	0.0496	0.3144
Exchange rate	0.8068	0.7404
Weighted average fair value at issuance (USD)	0.0614	0.4246

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.

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

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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.

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).

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 broker warrants to share capital.

The following provides a summary of the Company's outstanding broker warrants as at 30 June 2026:

<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	1.34	0.18

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

(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). The resulting derivative liability was revalued to \$10,598,289 on 31 December 2025 and the fair value adjustment of \$10,723,593 went through profit and loss. This derivative liability was revalued to \$8,750,807 on 30 June 2026 and the fair value adjustment of (\$1,847,482) went through profit and loss.

The following provides a summary of the Company's outstanding investor warrants as at 30 June 2026:

<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	1.01	0.16

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

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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 derivative liability was again revalued for the 6 months ended 30 June 2026 to a value of 7,744,130 and a fair value adjustment of (\$1,306,254) went through profit and loss.

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, at 31 December 2025 and at 30 June 2026:

	31 December 2025	30 June 2026
Share price (GBP)	0.465	0.386
Exercise price (GBP)	0.07	0.07
Risk-free interest rate (%)	3.63	3.75
Expected life (years)	1.679	1.1836
Expected volatility (%)	91.87	86.00
Dividends (%)	Nil	Nil
Weighted average fair value (GBP)	0.4030	0.3494
Exchange rate	0.743	0.7519
Weighted average fair value (USD)	0.5427	0.4631

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 \$1,547,905 on 31 December 2025 and the fair value adjustment of \$223,638 went through profit and loss. The derivative liability was again revalued for the 6 months ended 30 June 2026 to a value of \$1,006,677 and a fair value adjustment of (\$541,228) went through profit and loss.

	31 December 2025	30 June 2026
Share price (GBP)	0.465	0.386
Exercise price (GBP)	0.45	0.45
Risk-free interest rate (%)	3.75	3.80
Expected life (years)	1.753	1.2575
Expected volatility (%)	90.16	87.20
Dividends (%)	Nil	Nil
Weighted average fair value (GBP)	0.2216	0.1514
Exchange rate	0.743	0.7519
Weighted average fair value (USD)	0.2984	0.2006

16. FINANCIAL INSTRUMENTS

Determination of fair values

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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 2025 and 30 June 2026, is most significantly influenced by the following cash amounts held in foreign currencies (amounts shown in US dollars):

	30 June 2026	31 December 2025
Cash:		
Canadian Dollar	190,193	295
United States Dollar	103,612	477,604
Pound Sterling	12,404,055	2,267,964
Euro	938,144	311,696
Malawian Kwacha	2,647	849
Australian Dollar	81	79
Polish Zloty	(225)	74
	<u>13,638,507</u>	<u>3,058,561</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 \$667,745 (31 December 2025: \$129,048).

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.

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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 30 June 2026:

	Contractual cash flows	Less than 1 year	Greater than 1 year
Accounts payable and accrued liabilities	2,759,945	2,759,945	-
Due to related parties	55,117	55,117	-
Lease liability	1,624,224	178,013	1,446,211
Convertible loan notes	822,113	822,113	-
Derivative liability – convertible loan notes	149,157	149,157	-

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	
	30 June 2026	31 December 2025	30 June 2026	31 December 2025
Cash	-	-	13,638,507	3,058,561
Receivables	-	-	335,991	239,333
Due from related parties	-	-	36,866	227,801
Total financial assets	-	-	14,011,364	3,525,695

Financial liabilities

Accounts payable and accrued liabilities	-	-	2,759,945	2,321,528
Due to related parties	-	-	55,117	115,509
Finance lease liability	-	-	1,624,224	1,252,179
Convertible loan notes	-	-	822,113	458,873
Derivative liability	8,750,807	10,598,289	-	-
Derivative liability – convertible loan notes	149,157	189,780	-	-
Total financial liabilities	8,899,964	10,788,069	5,261,399	4,148,089

17. COMMITMENTS

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HyProMag Germany

As at 30 June 2026, 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 quarter.

The remaining committed payments, which fall due within the next 12 months, total approximately \$589,499 and are expected to be settled in line with the agreed manufacturing and delivery schedules.

Mkango GmbH

As at 30 June 2026, the Company had signed a purchase agreement to purchase the Remloy rare earth magnet recycling business from Heraeus for €8 million, €5 million of which has been paid.

18. LOSS PER SHARE

The calculation of basic earnings per share at 30 June 2026 was based on the loss attributable to ordinary shareholders of \$2,564,903 (30 June 2025: \$3,501,227) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2026 of 365,829,787 (30 June 2025: 321,724,828) calculated as follows:

	30 June 2026	30 June 2025
Earnings/(loss) attributable to the ordinary shareholders (USD)	<u>(2,564,903)</u>	<u>(3,501,227)</u>
Number of ordinary shares outstanding at beginning of year	347,192,907	297,078,761
Effect of shares issued during the year	<u>18,636,880</u>	<u>24,646,067</u>
Weighted average number of ordinary shares outstanding	<u>365,829,787</u>	<u>321,724,828</u>
Earnings/(loss) per share (USD)	<u>(0.0070)</u>	<u>(0.0109)</u>

Diluted loss per share did not include the effect of options, warrants and RSUs for the period ended 30 June 2026 as the quantum is not material.

19. CAPITAL MANAGEMENT

The Company's total capital consists of Mkango's shareholders' equity of \$12,078,498 as at 30 June 2026 (31 December 2025: (\$665,110)). The Company's financing strategy includes the issuance of shares with warrants (note 14), giving rise to investor warrant derivative liabilities that are sensitive to share price movements and have resulted in significant non-cash fair value adjustments 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.

20. SUBSEQUENT EVENTS

Remloy acquisition

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The company announced on 28 August 2026 that it had closed the acquisition of the Remloy rare earth magnet recycling business from Heraeus for approximately €8 million (US\$9.3 million) in cash, of which €5 million (US\$5.8 million) has been paid and €3 million (US\$3.5 million) is payable on 28 August 2028.

Warrant exercises

The company received an exercise notice from a Mkango warrant holder to exercise 550,000 warrants over common shares in the Company, at a price of seven (7) pence per common share on 22 July 2025 and on 19 August 2026 a further notice was received to exercise 800,000 warrants at a price of seven (7) pence per common share.

MKAR Amended Promissory Note

On 31 August 2026, following the close of markets, MKAR and the holder of one of the BCA Note issued under the Note Purchase Agreement, dated 2 June 2025, agreed to amend the BCA Note as of 1 July 2026 to extend its maturity to 31 December 2026, increase its principal amount to \$623,766, and increase the amount due at maturity to \$650,000. At that same time, MKAR and the holder of the second promissory note issued under the Note Purchase Agreement (namely the F-4 Note, agreed to reflect the interest paid as of 13 August 2026 in kind under the F-4 Note in its principal amount, increasing it to \$261,250. Upon board approval of the anticipated share reclassification in connection with the closing of the Proposed Business Combination, if such approval occurs, each holder would release MKAR from the debt under each of the BCA Note and the F-4 Note in consideration for MKAR issuing Class A shares to them at \$5.00 per share in an amount equal to such debt amount released.