UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF COTEC HOLDINGS CORP.

For the three and six months ended June 30, 2026

The accompanying notes are an integral part of these Interim Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF COTEC HOLDINGS CORP.
(Expressed in Thousands of Canadian Dollars)
AS AT JUNE 30, 2026, AND DECEMBER 31, 2025

	Jun. 30, 2026	Dec. 31, 2025	Jan. 1, 2025 (Restated Note 2(f))
ASSETS			
Current			
Cash and cash equivalents	$ 6,498	$ 2,330	$ 755
GST and other receivables	304	147	83
IZ Note Receivable (Note 8)	382	370	346
Other receivables and prepaids (Note 10)	5,594	36	14
Total current assets	12,778	2,883	1,198
Non-Current			
Deposits on Equipment (Note 10)	1,343	-	-
Due from HyProMag USA (Note 7)	5,679	4,586	955
Investments in equity instruments (Note 5)	8,291	8,259	9,479
Investments in associates and joint ventures (Note 6)	12,818	12,858	12,063
Exploration & evaluation (Note 9)	3,068	1,803	1,069
TOTAL ASSETS	**$ 43,977**	**$ 30,389**	**$ 24,764**
LIABILITIES			
Current			
Trade and other payables	$ 561	$ 360	$ 391
Accrued liabilities	1,063	2,457	1,526
Stock-based compensation liability (Note 12)	2,630	1,219	-
Convertible loan interest (Note 13)	443	236	-
Total current liabilities	4,697	4,272	1,917
Non-Current			
Stock-based compensation liability (Note 4, Note 12)	-	1,497	1,306
Convertible loan (Note 13)	-	2,161	3,489
Deferred share unit liability	1,775	2,196	573
TOTAL LIABILITIES	6,472	10,126	7,285
EQUITY			
Share capital (Note 4)	158,608	130,489	112,670
Contributed surplus	18,632	19,421	15,319
Equity component of convertible loan	-	109	299
Cumulative translation adjustment (Note 6)	1,357	1,074	864
Deficit	(141,092)	(130,830)	(111,673)
TOTAL EQUITY	37,505	20,263	17,479
TOTAL LIABILITIES AND EQUITY	**$ 43,977**	**$ 30,389**	**$ 24,764**

Corporate information and going concern (Note 1)

On behalf of the Board:

(signed) Julian Treger Director

(signed) Lucio Genovese Director

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) OF COTEC HOLDINGS CORP.
(Expressed in Thousands of Canadian Dollars)
FOR THE PERIODS ENDED JUNE 30, 2026, AND 2025

	For the three months ended		For the six months ended	
	Jun. 30, 2026	**Jun. 30, 2025 (Restated Note 2f)**	**Jun. 30, 2026**	**Jun. 30, 2025 (Restated Note 2f)**
INCOME/(LOSS) FROM INVESTMENTS				
Gain (Loss) on equity investment (Note 5)	106	(467)	247	(435)
Share of (loss) from associates and joint ventures accounted for using the equity method (Note 6, 7)	(1,351)	(1,288)	(2,761)	(2,636)
EXPENSES				
Professional consulting fees	(495)	(207)	(785)	(377)
General & administrative expenses	(1,031)	(748)	(1,948)	(1,456)
Share-based compensation (Note 4)	(1,127)	(435)	(583)	(704)
Operating (loss) income	**(3,898)**	**(3,144)**	**(5,830)**	**(5,608)**
Finance expense (Note 7, 12)	(4,011)	(252)	(4,923)	(444)
Finance income	333	38	577	71
Foreign exchange (loss) gain	(51)	(10)	(86)	(21)
Net finance expense	(3,729)	(224)	(4,432)	(394)
Income tax expense	-	-	-	-
Net (loss) income	**$ (7,627)**	**$ (3,369)**	**$ (10,262)**	**$ (6,002)**
OTHER COMPREHENSIVE INCOME				
Foreign currency translation (Note 6)	257	77	283	404
Comprehensive (loss) income	**$ (7,370)**	**$ (3,292)**	**$ (9,979)**	**$ (5,598)**

Net loss per common share (Note 15)				
Basic	($0.07)	($0.05)	($0.09)	($0.08)
Diluted	($0.07)	($0.05)	($0.09)	($0.08)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF COTEC HOLDINGS CORP.
(Expressed in Thousands of Canadian Dollars)
FOR THE PERIODS ENDED JUNE 30, 2026, AND JUNE 30, 2025

	Share Capital		Contributed Surplus			Cumulative Translation Adjustment	Deficit	Total Equity
	Number	Amount	Convertible loan	Options	Warrants	Amount	Amount	Amount
Balance – Jan. 1, 2025 (Restated Note (f))	**71,547,530**	**$112,670**	**$299**	**$11,923**	**$3,396**	**$864**	**$(111,673)**	**$17,479**
Net (loss) for the period	-	-	-	-	-	-	(6,002)	**(6,002)**
Foreign currency translation	-	-	-	-	-	404	-	**404**
Convertible loan	-	-	148	-	-	-	-	**148**
Shares issued for cash	6,679,443	5,210	-	-	-	-	-	**5,210**
Share issue costs	-	(266)	-	-	-	-	-	**(266)**
Issuance of warrants	-	(1,144)	-	-	1,144	-	-	**-**
Exercise of warrants	51,161	50	-	-	(23)	-	-	**27**
Equity-settled share-based compensation	-	-	-	309	-	-	-	**309**
Balance – Jun. 30, 2025 (Restated Note (f))	**78,278,134**	**$116,520**	**$447**	**$12,232**	**$4,517**	**1,268**	**$(117,675)**	**$17,309**
Balance – Jan. 1, 2026	**99,074,056**	**$130,489**	**$109**	**$13,123**	**$6,298**	**$1,074**	**$(130,830)**	**$20,263**
Net (loss) for the period	-	-	-	-	-	-	(10,262)	**(10,262)**
Foreign currency translation	-	-	-	-	-	283	-	**283**
Convertible loan (Note 13)	5,268,387	6,468	(109)	(36)	-	-	-	**6,323**
Issuance of warrants	-	-	-	-	700	-	-	**700**
Exercise of warrants	16,062,749	21,651	-	-	(2,579)	-	-	**19,072**
Equity-settled share-based compensation	-	-	-	1,126	-	-	-	**1,126**
Balance – Jun. 30, 2026	**120,405,192**	**$158,608**	**$-**	**$14,213**	**$4,419**	**1,357**	**$(141,092)**	**$37,505**

The accompanying notes are an integral part of these Interim Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS OF COTEC HOLDINGS CORP.
(Expressed in Thousands of Canadian Dollars)
FOR THE PERIODS ENDED JUNE 30, 2026, AND 2025

	For the six months ended	
	June 30, 2026	**June 30, 2025**
OPERATING ACTIVITIES		
Net (loss) for the period	$ (10,262)	$ (6,002)
Add items not affecting cash		
Director fees paid in shares (Note 6)	(23)	(56)
Loss (gain) on equity investments (Note 5)	(247)	435
Share of loss in associates and joint ventures accounted for using the equity method (Note 6, 7)	2,761	2,636
Share-based compensation expense	583	704
Non-cash finance expense & foreign exchange	4,432	394
Changes in non-cash working capital balances related to operations		
Sales tax receivables	(157)	21
Other receivables and prepaids	(5,558)	9
Trade and other payables and accrued liabilities	(1,748)	(676)
Cash used by operating activities	**(10,219)**	**(2,535)**
INVESTING ACTIVITIES		
Equipment deposits	(1,343)	-
Investments in associates and joint ventures (Note 6)	(762)	(1,467)
Cash advanced to HyProMag USA (Note 7)	(6,184)	(1,737)
Exploration & evaluation assets (Note 9)	(710)	(112)
Cash used by investing activities	(8,999)	(3,316)
FINANCING ACTIVITIES		
Shares and warrants issued for cash (Note 4)	-	3,450
Convertible loan (Note 13)	4,400	3,000
Warrant exercise	19,072	28
Cash from financing activities	23,472	6,478
Net increase (decrease) in cash and cash equivalents for the period	**4,254**	**627**
Cash and cash equivalents, beginning of period	2,330	755
Exchange (losses) on cash and cash equivalents	(86)	**(21)**
Cash and cash equivalents, end of period	**$ 6,498**	**$ 1,361**

1 Corporate Information and Going Concern

CoTec Holdings Corp. (the "Company") was incorporated on December 15, 1986, under the laws of the Province of British Columbia, Canada. Its registered address is Suite 428, 755 Burrard Street, Vancouver, BC, V6Z 1X6, Canada.

The Company focuses on investments in disruptive and scalable technology in the mineral extraction industry and in parallel acquiring assets to which the technology could be applied.

The Company has experienced recurring operating losses and has an accumulated deficit of $141,092 as at June 30, 2026 (December 31, 2025: ($130,830)). For the six months ended June 30, 2026, the Company used cash in operating activities totalling $10,219 (June 30, 2025: $(2,535). The Company had cash and cash equivalents of $6,498 (December 31, 2025: $2,330) and working capital of $8,081 as at June 30, 2026 (December 31, 2025: $1,389 deficit).

During the six months ended June 30, 2026, the Company raised approximately $19 million through warrant exercises and $4.4 million in convertible loan facilities (see Note 4 Share Capital and Note 13 Convertible Loans).

The Company's continued operation is dependent upon its ability to raise additional funding and/or generate cash through other business activities. Although the directors believe that the Company should be able to secure future funding as required, there are no assurances that the Company will be successful in achieving this goal. The going concern assessment is made as at June 30, 2026, based on conditions existing at that date; while the warrant proceeds resulted in additional liquidity, they did not eliminate the uncertainty given the Company's recurring operating losses, and ongoing cash requirements. As a result, there is material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated interim financial statements have been prepared on a going concern basis, which assumes the Company will realize on its assets and discharge its liabilities for at least twelve months from June 30, 2026, and do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2 Basis of Presentation

(a) Statement of Compliance with International Financial Reporting Standards

These interim consolidated financial statements (the "Interim Financial Statements"), which are presented in Canadian dollars, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to the preparation of Interim Financial Statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting. They do not include all information required for a complete set of IFRS financial statements. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes and performance since the Company's last annual financial statements as at and for the year ended December 31, 2025.

(Expressed in Thousands of Canadian Dollars)

(b) Basis of Consolidation

The Interim Financial Statements include the accounts for the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

These Interim Financial Statements are presented in Canadian dollars which is also the parent company's functional currency. The functional currency for each entity consolidated or equity accounted within the Company is determined by the currency of the primary economic environment in which it operates.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the average exchange rates for the period.

Subsidiaries are included in the consolidated financial statements of the Company from the effective date of obtaining control up to the effective date of disposition or loss of control.

The principal subsidiaries and joint arrangements to which the Company is a party, as well as their geographic locations, were as follows as at June 30, 2026:

Affiliate name	Location	Interest	Classification and method of accounting method
1391621 B.C. Ltd.	Canada	100%	Consolidated
1450518 B.C. Ltd.	Canada	100%	Consolidated
Société CoTec Québec Inc.	Canada	100%	Consolidated
CoTec Copper	Canada	100%	Consolidated
CoTec USA Corp	USA	100%	Consolidated
HyProMag USA	USA	50%	Joint venture; equity method
HyProMag USA Trading	USA	50%	Joint venture; equity method
Maginito Ltd.	BVI	20.6%	Associate; equity method
MagIron LLC	USA	16.66%	Associate; equity method

(c) Segment Reporting

The Company applies IFRS 8 – Operating Segments. Segment reporting remained unchanged from December 31, 2025.

(d) Accounting Policies

The accounting policies, estimates and judgements, methods of computation and presentation followed in these Interim Financial Statements are the same as those applied in the Company's annual financial statements for the year ended December 31, 2025, with the exception of the changes described below. Accordingly, these Interim Financial Statements should be read in conjunction with the Company's most recent annual financial statements.

Changes in Material Accounting Policies

Amendments to IFRS 9 and IFRS 7 — Classification and Measurement of Financial Instruments

Effective January 1, 2026, the Company adopted the amendments to IFRS 9, *Financial Instruments*, and IFRS 7, *Financial Instruments: Disclosures*, "*Amendments to the Classification and Measurement of Financial Instruments*" (the "Amendments"), issued by the IASB. The Amendments clarify, among other matters, the date of initial recognition and derecognition of financial liabilities settled through electronic payment systems, and introduce an accounting policy election permitting derecognition before the settlement date when specified conditions are met. The Amendments also introduce enhanced disclosure requirements to improve transparency for equity instruments designated at fair value through other comprehensive income ("FVOCI") and for financial instruments with contingent features.

The Company has elected to derecognize financial liabilities settled through wire transfers, electronic funds transfer (EFT) transactions, and bank-initiated electronic bill payments before the settlement date. The Company made this election because, for each of these payment systems, it has no practical ability to withdraw, stop, or cancel payment instructions once initiated, no practical ability to access the cash for settlement, and the settlement risk associated with the payment system is insignificant. The election applies to all electronic payment systems used by the Company.

Cheques are not subject to this election. Accordingly, the Company has revised its accounting policy to derecognize financial liabilities settled by cheque upon clearance by the bank, rather than upon issuance.

The Amendments have been applied retrospectively. The Company assessed the impact at December 31, 2025 and March 31, 2026, and concluded that the impact was not material to the consolidated financial statements. As a result, no adjustment has been recorded to the comparative statement of financial position, and the Amendments did not have an impact on the Company's interim financial statements or the comparative period on the date of adoption.

New Standards and Interpretations

The following new standard has been issued but is not yet effective:

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure of Financial Statements, which replaces IAS 1, Presentation of Financial Statements. IFRS 18 introduces new requirements for all companies to present specific categories and defined subtotals in the statements of profit or loss, to disclose explanations of management-defined performance measures if used in the financial statements, and to improve aggregation and disaggregation. The standard is effective for periods beginning on or after January 1, 2027. Retrospective application is required and early adoption is permitted. The Company is currently evaluating the impact of this new standard on the Company's financial statements.

(e) **Approval of Financial Statements**

The Board of Directors approved these Interim Financial Statements for issue on August 13, 2026.

(f) Restatement of Previously Issued Financial Statements

Convertible Loans

During Q3 2025, management identified a misclassification in the accounting for the Company's convertible loans issued on November 1, 2024. The instruments had previously been bifurcated into a debt host and a derivative liability measured at fair value through profit or loss. Upon further review of IAS 32 *Financial Instruments: Presentation*, management determined that the notes meet the definition of a compound financial instrument, as the conversion feature entitles holders to receive a fixed number of shares at a fixed conversion price. Accordingly, the conversion feature has been reclassified from a derivative liability to equity, and the associated fair value changes have been reversed.

CTA Presentation Error

During Q3 2025, a prior period misclassification and calculation error was identified in the presentation of the cumulative translation adjustment, which had previously been recorded through retained earnings rather than as an adjustment to the carrying value of the related equity-accounted associate. Comparative figures as of January 1, 2025, have been restated.

MagIron LLC ("MagIron")

During Q4 2025, management changed the accounting for the Company's equity investment in MagIron, initially recognized on January 18, 2022. Upon further review of IAS 28 *Investments in Associates and Joint Ventures*, management determined that the Company meets the threshold of significant influence over MagIron, and accordingly, the investment has been restated to the equity method of accounting as applicable to investments in associates. As the investment is denominated in USD, a foreign currency translation adjustment has also been applied in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

The restatement has been applied retrospectively from the date of initial recognition of the investment on January 18, 2022, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Accordingly, the cumulative adjustment has been recognized in the opening statement of financial position as of January 1, 2025, being the earliest comparative period presented. Comparative figures as of January 1, 2025, have been restated.

HyProMag USA

During Q4 2025, upon further review of IAS 28 *Investments in Associates and Joint Ventures*, management determined that the carrying amount of cash advances to HyProMag USA should reflect the Company's proportionate share of HyProMag USA's losses, resulting in the recognition of its share of equity losses in HyProMag USA netted against the carrying value of the advances.

A summary of the requisite adjustments on the financial statements for the opening balance sheet as of January 1, 2025, is set forth below:

(Expressed in Thousands of Canadian Dollars)

	As at Jan. 1, 2025 (As Previously Reported)	Cumulative Translation adjustment	Convertible Loan adjustment	MagIron Significant Influence adjustment	Due from HyProMag Us Write down	As at Jan. 1, 2025 (As Restated)
Investments	29,970	-	-	(20,491)	-	9,479
Investments in associate and joint venture	10,572	690	-	801	-	12,063
Due from HyProMag USA	2,668	-	-	-	(1,713)	955
Embedded Derivative	752	-	(752)	-	-	-
Convertible loan	3,214	-	275	-	-	3,489
Equity component of convertible Loan	-	-	299	-	-	299
Cumulative translation adjustment	735	(45)	-	174	-	864
Deficit	(91,008)	735	178	(19,865)	(1,713)	(111,673)

A summary of the requisite adjustments on the financial statements for the 3-month and 6-month period ending June 30, 2025, is set forth in the table below:

	Three months ended June. 30, 2025 (As Previously Reported)	CTA	Convertible Loan Adjustment	MagIron Significant Influence adjustment	Due from HyProMag USA write down	Three months ended June. 30, 2025 (As Restated)
Net (loss)	(4,019)	-	460	1,055	(865)	(3,369)
(Loss) gain on equity investments	(1,846)	-	-	1,379	-	(467)
Share of (loss) of associates and joint ventures accounted for using the equity method	(67)	-	-	(324)	(897)	(1,288)
Loss on embedded derivative	(474)	-	474	-	-	-
Finance income	6	-	-	-	32	38
Finance expense	(238)	-	(14)	-	-	(252)
Net loss per common share	($0.06)	-	$0.01	$0.02	($0.01)	($0.04)
Comprehensive (loss) income	(3,933)	-	460	1,046	(865)	(3,292)

(Expressed in Thousands of Canadian Dollars)

	Six months ended June. 30, 2025 (As Previously Reported)	**CTA**	**Convertible Loan Adjustment**	**MagIron Significant Influence adjustment**	**Due from HyProMag USA write down**	**Six months ended June. 30, 2025 (As Restated)**
Net (loss)	(5,730)	-	500	963	(1,735)	(6,002)
(Loss) gain on equity investments	(2,044)	-	-	1609	-	(435)
Share of (loss) of associates and joint ventures accounted for using the equity method	(197)	-	-	(646)	(1,793)	(2,636)
Loss on embedded derivative	(516)	-	516	-	-	-
Finance income	13	-	-	-	58	71
Finance expense	(428)	-	(16)	-	-	(444)
Net loss per common share	($0.08)	-	$0.01	$0.01	($0.02)	($0.10)
Comprehensive (loss) income	(5,309)	-	500	946	(1,735)	(5,598)

	As at Jun. 30, 2025 (As Previously Reported)	**CTA**	**Convertible Loan Adjustment**	**MagIron Significant Influence adjustment**	**Due from HyProMag USA write down**	**As at Jun. 30, 2025 (As Restated)**
Contributed surplus	16,748	-	448			17,196
Equity component of convertible Loan	-	-	-	-	-	-
Cumulative translation adjustment	1,156	(45)	-	157	-	1,268
Deficit	(96,738)	735	678	(18,901)	(3,449)	(117,675)

(Expressed in Thousands of Canadian Dollars)

3 Critical Accounting Estimates and Judgements

The preparation of these Interim Financial Statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

In preparing the interim condensed consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2025.

4 Share Capital

Equity

The Company has unlimited authorized common shares with no par value. Total common shares issued and outstanding as at June 30, 2026, numbered 120,405,192.

Warrant Issuances

During the six months ended June 30 2026, a total of 1,503,758 warrants were issued to King's Chapel and Epic Capital in consideration of the Amended and Restated Convertible Loans as described in Note 13. Each warrant is exercisable into one common share at an exercise price of $1.33 for a period of one year from the date of issuance. The fair value of the warrants was estimated at $700.

Warrant Exercises

During the six months ended June 30, 2026, a total of 16,062,749 warrants were exercised for gross proceeds of $19,072. The warrants were exercised at a weighted average price of $1.19 per share. Upon exercise, the amount of $2,579 previously recognized in contributed surplus was reclassified to share capital, resulting in a total increase of $21,651. The Company issued 16,062,749 shares for the six months ended June 30, 2026.

A summary of warrant activity during 2026, is as follows:

	Number of warrants #	**Weighted average exercise price $**
Balance – December 31, 2024	5,396,044	1.03
Issued	18,252,412	1.18
Exercised	(1,052,007)	1.17
Expired	(5,344,880)	0.90

(Expressed in Thousands of Canadian Dollars)

Balance – December 31, 2025	17,251,569	1.18
Issued	1,503,758	1.33
Exercised	(16,062,749)	1.19
Expired	(762,525)	1.20
Balance – June 30, 2026	**1,930,053**	**1.21**

The warrants outstanding as at June 30, 2026, are shown in the following table:

Warrants Outstanding				
Date of Grant	**Expiry Date**	**Number Outstanding #**	**Exercise Price $**	**Remaining life (years)**
June 18, 2025	June 19, 2028	138,906	0.78	1.97
July 3, 2025	July 4, 2028	23,381	0.78	2.01
July 16, 2025	July 17, 2028	229,175	0.78	2.04
July 22, 2025	July 23, 2028	34,833	0.78	2.06
June 11, 2026	June 11, 2027	1,503,758	1.33	0.95
		1,930,053	**1.21**	**1.18**

Share-Based Compensation

Share-based compensation expenses recognized in the Consolidated Statement of Loss and Comprehensive Loss for the three and six months ended June 30, 2026, and June 30, 2025, are as follows:

	For the three months ended		**For the six months ended**	
	June 30, 2026	**June 30, 2025**	**June 30, 2026**	**June 30, 2025**
Stock options (expense)	(338)	(129)	(632)	(308)
Equity incentive units recovery (expense)	(319)	(123)	87	(150)
Deferred share units recovery (expense)	(187)	(181)	423	(239)
Restricted share units (expense)	(342)	(2)	(497)	(7)
Convertible loan facility option (expense)	59	-	36	-
Total	**(1,127)**	**(435)**	**(583)**	**(704)**

(Expressed in Thousands of Canadian Dollars)

RSUs

During the six months ended June 30, 2026, the Company awarded 1,364,482 Restricted Share Units ("RSUs") to Officers of the Company.The RSUs vest over three years of service and were granted at a price of $1.34 per RSU. As at June 30, 2026, 1,740,175 RSUs remain unvested.

DSUs

During the six months ended June 30, 2026, the Company awarded 213,919 Deferred Share Units ("DSUs") to the members of the Board of Directors of the Company. The DSUs vest over one year of service, are settled once a Director ceases to be a Director, and were granted at $1.34. As at June 30, 2026, 1,433,591 DSUs have been granted, of which 233,211 remain unvested.

Options

During the six months ended June 30, 2026, the Company granted 598,274 options; the weighted average fair value per option granted was $1.08. As at June 30, 2026, there was $1,369 of share-based compensation expense (June 30, 2025: $465) relating to the Company's unvested stock options to be recognized in future periods.

A summary of option activity under the Plan during 2026 is as follows:

	Number of options #	Weighted average exercise price $
Balance – December 31, 2024	**6,094,238**	**0.52**
Granted	2,105,345	0.94
Balance – December 31, 2025	**8,199,583**	**0.63**
Granted	598,274	1.34
Balance – June 30, 2026	**8,797,857**	**0.67**

The options outstanding as at June 30, 2026, is shown in the following table:

(Expressed in Thousands of Canadian Dollars)

Options Outstanding				2026 – Options Exercisable	
Range of Exercise Prices	**Number of Options Outstanding**	**Weighted Average Years to Expiry**	**Weighted Average Exercise Price**	**Number of Exercisable Options**	**Weighted Average Exercise Price**
0.25 – 0.49	1,643,165	5.36	0.35	1,643,165	0.35
0.50 – 0.74	3,176,119	6.89	0.51	2,707,018	0.52
0.75 – 0.99	3,151,299	8.55	0.86	783,303	0.75
1.00 – 1.24	229,000	9.19	1.04	-	-
1.25 – 1.49	598,274	9.83	1.34	-	-
	8,797,857	**7.46**	**0.67**	**5,133,486**	**0.50**

Equity Incentive Units ("EIUs")

EIUs are accounted for as cash-settled share-based payments and are remeasured at fair value at each reporting date. During the six months ended June 30, 2026, no additional EIUs were granted. The total number of EIU's outstanding as of June 30, 2026 were as follows:

	Number of EIUs	Liability
Vested EIUs	2,409,173	$1,219
Unvested EIUs	1,571,640	$1,411
	3,980,814	**$2,630**

The fair value of EIUs outstanding at June 30, 2026 was $2,630, and is classified as current within stock-based compensation liability. The unvested EIUs will vest under the terms of the December 2025 Compensation Agreement as outlined in Note 12.

The fair value was determined using a Monte Carlo simulation model with 10,000 simulated price paths and historical volatility of 79%. The model estimated the Company's share price at December 31, 2026 to be $1.15. Consistent with the vesting conditions, simulated outcomes below the $1.10 price threshold result in no payout.

(Expressed in Thousands of Canadian Dollars)

5 Equity Investments

Summary:

	Six months ended June 30, 2026	Twelve months ended Dec. 31, 2025
	$	**$**
Balance, beginning of period	8,259	9,479
Warrants exercised at fair value	(215)	-
Fair value adjustment	(47)	(781)
Foreign exchange	294	(439)
Balance, end of period	**8,291**	**8,259**

For the six months ended June 30, 2026, the Company recognized a fair value gain of $247 (2025: loss of $439, Restated Note 2(f)) recorded in the consolidated statement of loss, reflecting changes in the underlying value of the investment and foreign exchange.

Represented by the following investments:

	June 30, 2026	Dec. 31, 2025
	$	**$**
MagIron Warrants	324	575
Binding Solutions Ltd.	5,836	5,628
Ceibo Inc.	2,131	2,056
Total Balance, end of period	**8,291**	**8,259**

MagIron Warrants

As of June 30, 2026, CoTec owned 732,611 warrants to purchase MagIron shares. As of June 30, 2026, there has been a decrease of $47 in the value of its equity investments, and a gain of $11 due to changes in foreign exchange that have been recorded through the statement of income (loss) as FVTPL in the amount of $35. In addition, on February 1, 2026, the Company exercised 120,773 warrants at a cost of $80,000USD or $109 which increased its interest to 16.66% on an undiluted basis.

The fair value of the warrants was calculated using the Black-Scholes options pricing model based on the inputs noted in the table below.

(Expressed in Thousands of Canadian Dollars)

Date of Purchase	Expiry Date	Warrants Owned	Exercise Price USD$	Expected Life	Annualized Volatility %[1]	Risk-Free rate %	Warrant Fair Value USD$[2]
Apr. 26, 2023	July 31, 2026	92,878	1.09	0.08 years	116%	2.74%	1.52
Jun. 16, 2023	Sep. 30, 2026	26,383	4.56	0.25 years	116%	2.74%	0.18
Oct. 26, 2023	Jan. 31, 2027	159,100	4.56	0.59 years	116%	2.74%	0.48
Nov. 14, 2023	Nov. 11, 2033	384,025	4.56	7.37 years	116%	3.38%	2.25
Feb. 8, 2024	Nov. 23, 2033	70,225	4.56	7.37 years	116%	3.38%	2.25
Total		**732,611**					

Binding Solutions Limited ("BSL") Initial Investment

BSL is a UK based private company that has developed a proprietary cold agglomeration technology for the production of high-quality clean pellets from primary materials, waste dumps, and stockpiles. As of June 30, 2026, CoTec holds approximately 3% of the outstanding shares of BSL.

During the period ended June 30, 2026, the Company recognized a fair value gain of $206 due to foreign exchange movements on the USD-denominated investment, recorded through profit or loss, with no change to the underlying equity value.

Ceibo Investment

On May 9, 2023, the Company completed a USD1.5 million, or $2,007 equity investment into Ceibo Inc. ("Ceibo"), a Delaware private corporation. Ceibo, through its wholly-owned Chilean subsidiary, has developed a process to leach low-grade primary copper sulphides, such as chalcopyrite, and copper waste material using a proprietary high throughput inorganic leaching technology.

For the period ended June 30, 2026, the Company recognized a gain of $76 due to foreign exchange movements on the USD-denominated investment, recorded through profit or loss, with no change to the underlying equity value.

(Expressed in Thousands of Canadian Dollars)

6 Investment in Associates

Summary:

	Six months ended Jun. 30, 2026 $	**Twelve months ended Dec. 31, 2025 (Restated Note 2(f))** $
Balance, beginning of period	12,858	12,063
Additions	1,001	2,451
Equity (loss) income	(1,324)	(1,866)
Currency Translation Adjustment	283	210
Balance, end of period	**12,818**	**12,858**

Maginito Limited ("Maginito")

	Jun. 30, 2026 $	**Dec. 31, 2025 (Restated Note 2(f))** $
Balance, beginning of period	11,831	11,264
Additions	555	894
Equity (loss) income	(517)	(571)
Currency Translation Adjustment	252	244
Balance, end of period	**12,121**	**11,831**

Maginito is a private company that was established by Mkango Resources Limited ("Mkango") to pursue downstream green technology opportunities in the rare earths supply chain, encompassing NdFeB magnet recycling and innovative rare earth alloy, magnet and separation technologies. Maginito is owned 79.4% by Mkango Resources Limited and 20.6% by the Company.

On January 6, 2026, the Company funded a cash call in Maginito of GBP86,311 or $161. On April 20, 2026, the Company funded a cash call in Maginito of GBP212,423 or $394

For the six months ended June 30, 2026, the Company recognized, based on its 20.6% ownership in Maginito, an equity pick-up equivalent to its pro rata share of Maginito's operating loss of $517. The carrying value of the Company's investment in Maginito as June 30, 2026 is $12,121.

(Expressed in Thousands of Canadian Dollars)

Operating and financial results of Maginito for the six months ended June 30, 2026, and year ended December 31, 2025:

In CAD000s	Jun. 30, 2026	Dec. 31, 2025
TOTAL ASSETS	**$ 16,973**	**$ 14,230**
TOTAL LIABILITIES	15,602	9,615
TOTAL EQUITY	1,371	4,615
TOTAL LIABILITIES AND EQUITY	**$ 16,973**	**$ 14,230**

	For the six months ended	
	Jun. 30, 2026	**Jun. 30, 2025**
In CAD000s	**$**	**$**
EXPENSES		
Operating loss	**(2,757)**	**(1,112)**
Income tax expense	104	-
Exchange difference on intercompany translation	14	15
Net (loss) income	**$(2,639)**	**(1,097)**

Due to the increase in value of the GBP against the CAD during the three months ended June 30, 2026, the Company recognized a foreign exchange translation gain of $252 (2025 – $244 loss, Restated Note 2(f)) in Accumulated Other Comprehensive Income, representing the cumulative translation adjustment of the net investment in the associate. The translation adjustment will remain in AOCI until disposal of the investment, at which point it will be reclassified to profit or loss.

MagIron

	Jun. 30, 2026	Dec. 31, 2025 (Restated Note 2(f))
	$	**$**
Balance, beginning of period	1,027	799
Additions	446	1,557
Equity (loss) income	(807)	(1,295)
Currency Translation Adjustment	31	(34)
Balance, end of period	**697**	**1,027**

(Expressed in Thousands of Canadian Dollars)

As at June 30, 2026, CoTec had a 16.7% undiluted equity interest in MagIron. MagIron is a U.S. based private company focused on the restart of Plant 4 and the Reynolds Pellet Plant, a modern, past-producing iron ore concentrator and pelletizer.

For the six months ended June 30, 2026, the Company made investments amounting to USD70,988, or $98 in exchange for equity issued by MagIron, as well as shares issued for director fees which amounted to USD16,406, or $23. On February 1, 2026 the company exercised 120,773 warrants at an exercise price of USD0.6624 per warrant for a total exercise price of USD80,000 or $109. The carrying value of the shares acquired on exercise was $327, comprising the $109 cash paid plus the $218 fair value of the warrants at the exercise date. CoTec thereby increased its undiluted equity ownership to 16.66% in MagIron, as at June 30, 2026. The Company owns 5,527,205 A-1 Shares, 70,040 A-2 Shares, and 319,444 A-3 Shares.

As described in Note 2(f), the investment in MagIron has been restated to the equity method of accounting from the date of initial recognition on January 18, 2022, based on the determination that the Company exercises significant influence through its board representation.

Operating and financial results of MagIron:

In CAD000s	**Jun. 30, 2026**	**Dec. 31, 2025**
TOTAL ASSETS	**$ 53,995**	**$ 52,982**
TOTAL LIABILITIES	40,603	39,014
TOTAL EQUITY	13,392	13,968
TOTAL LIABILITIES AND EQUITY	**$ 53,995**	**$ 52,982**

	For the six months ended	
In CAD000s	**Jun. 30, 2026**	**Jun. 30, 2025**
EXPENSES		
Operating loss	**(4,952)**	**(3,966)**
Income tax expense	-	-
Exchange difference on intercompany translating	-	-
Comprehensive loss for the period	**$ (4,952)**	**$ (3,966)**

Due to the increase in value of the USD against CAD during the six months ended June 30, 2026, the Company recognized a foreign exchange translation gain of $31 (2025 – $34 loss, Restated Note 2(f)) in Accumulated Other Comprehensive Income, representing the cumulative translation adjustment of the net investment in the associate. The translation adjustment will remain in AOCI until disposal of the investment, at which point it will be reclassified to profit or loss.

The functional currency of Maginito is the British Pound Sterling (GBP) and the functional currency of MagIron is the US Dollar (USD). The results and financial position of each equity-accounted investment are translated into CAD as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at the average exchange rate for the period; and
- Resulting exchange differences are recognized in Other Comprehensive Income and accumulated in the Cumulative Translation Adjustment (CTA) component of equity.

7 HyProMag USA Joint Venture

On January 3, 2024, the Company created a joint venture entity, HyProMag USA LLC (“HyProMag USA JV”), with Maginito Limited where each party owns a 50% equity interest (refer to Note 6 Investment in Associates – Maginito Investment regarding collaboration and commercialization of downstream rare earth technologies in the United States).

The investment in the joint venture is accounted for using the equity method. As of June 30, 2026, the carrying amount of the investment in HyProMag USA JV was nil.

For the six months ended June 30, 2026, HyProMag USA JV incurred losses amounting to USD2,087,130. HyProMag USA JV has incurred cumulative losses since inception of USD9,702,977. The Company’s share of these cumulative losses is USD4,851,488. The Company has recognized its share of losses in accordance with IAS 28.39.

Per the HyProMag USA JV agreement, the Company is required to fund 100% of the initial capital of HyProMag USA JV through an interest-free loan for the first three years after the decision to proceed. The Company will be reimbursed for this initial capital in priority to any other distributions or dividends from the joint venture until the full amount of the initial capital is returned.

The Company is owed a total receivable from the HyProMag USA JV of $18,719 which has increased in 2026 due to the project continuing the detailed design and engineering phase and the securing of a facility in Texas where the first production hub will be based. The Company has discounted the receivable amount at a rate of 11% and calculated the present value (“PV”) based on phased repayments ending December 31, 2030. No interest is charged on the amount owed. The Company has also applied the Company’s portion of HyProMag USA JV losses against the outstanding receivable balance. The Company has therefore recognized a receivable of $5,679 as at June 30, 2026 (December 31, 2025 – $4,586), recorded a $7,101 discounting through finance expense in 2026 (2025 - $2,882), finance income in 2026 of $784 (2025 – $219), and applied cumulative losses of $6,738 in 2026 (2025 – $5,300).

(Expressed in Thousands of Canadian Dollars)

Operating and financial results of HyProMag USA:

In CAD000s		Jun. 30, 2026		Dec. 31, 2025
TOTAL ASSETS	**$**	**22,269**	**$**	**2,788**
TOTAL LIABILITIES		36,057		13,225
TOTAL EQUITY		(13,788)		(10,437)
TOTAL LIABILITIES AND EQUITY	**$**	**22,269**	**$**	**2,788**

	For the six months ended			
In CAD000s		**Jun. 30, 2026**		**Jun. 30, 2025**
EXPENSES				
Operating loss		**(3,482)**		**(1,916)**
Other expenses		606		(191)
Comprehensive loss for the period	**$**	**(2,876)**	**$**	**(2,107)**

Due from HyProMag USA

	Jun. 30, 2026 $	Dec. 31, 2025 $
Cash advanced to date	18,719	12,549
Less: Cumulative discount of receivable	(7,101)	(2,882)
Less: CoTec's cumulative share of losses	(6,738)	(5,300)
Add: Accretion of discount on receivable	784	219
Add: Accrued expenses	15	-
Balance, end of period	**5,679**	**4,586**

8 Notes Receivable

As of June 30, 2026, the Company has an outstanding secured loan receivable of $300 from International Zeolite Corp. ("IZ") which was issued under a Bridge Loan Note dated November 21, 2022. IZ is a public company that engages in the exploration, development, production and distribution of the natural industrial mineral zeolite, and trades on the OTC under IZCFF. The loan matured on November 21, 2024, and is currently past due.

The loan accrues interest at 7% per annum, compounded annually, and is secured by a General Security Agreement ("GSA"), granting the Company a first ranking charge over all of IZ's assets. For the six months ended June 30, 2026, $12 in interest income was recognized (June 30, 2025: $12).

Although the loan has matured and remains unpaid as of June 30, 2026, the Company expects to recover the full carrying value of the loan. The following factors support this assessment:

- The Company holds a GSA over IZ's assets, which management believes provides sufficient collateral coverage for full repayment
- Active repayment discussions are ongoing with IZ's management, with a structured repayment plan being negotiated
- As of the reporting date, no provision for ECL has been recorded, as management believes the loan is fully recoverable

Collateral and Security

The loan is secured by a GSA, which provides the Company with a security interest over IZ's assets. Management believes that the value of secured assets exceeds the outstanding loan balance, mitigating credit risk. The Company is working with IZ's management to facilitate the repayment of the loan.

9 Exploration and Evaluation

Lac Jeannine Project

On August 9, 2023, the Company entered into an option agreement to acquire 31 mining claims forming the Lac Jeannine Property located in the Côte-Nord region of Quebec, Canada. Under the option agreement, the Company is required to pay US$40,000 (paid), US$60,000 (paid), US$250,000 on exercise of the option, and US$1,000,000 upon commencement of commercial production, for total consideration of US$1,350,000. The vendor will retain a 1.0% NSR royalty on tailings minerals and a 1.5% NSR royalty on other minerals, with buy-back rights for a total of US$3,000,000. As of June 30, 2026, the Company has incurred and capitalized $3,068 in expenditures on the project. The Company may exercise the option to acquire the mining claims at any time until the earlier of (i) 15 business days after the issuance of all material permits required to construct and operate the Project and (ii) August 7, 2033.

10 Other receivables and prepaids

Included in other receivables and prepaids is an amount of $5,594 (December 31, 2025 – $nil) advanced to HyProMag USA LLC for the expected purchase of equipment (Note 18, Commitments). The funds were returned post quarter-end for the purchase of equipment by CoTec USA Corp.

(Expressed in Thousands of Canadian Dollars)

11 Deposits on equipment

During the six months ended June 30, 2026, the Company paid deposits of $1,343 toward the acquisition of rare earth magnet making equipment and pre-engineering. Deposits on equipment are not depreciated until the related equipment is received and available for use, at which time they will be transferred to property, plant and equipment. The Company's remaining contractual commitments for the acquisition of this equipment are disclosed in Note 18, Commitments.

12 Related Party Transactions

Compensation of Key Management

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. The Company has identified the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Board Members as its key management personnel. The remuneration of key management is determined by the compensation committee of the Board of Directors. The consulting fees and other compensation of key management personnel were as follows:

	For the three months ended		For the six months ended	
	June. 30, 2026	**June. 30, 2025**	**June. 30, 2026**	**June 30, 2025**
Short-term salaries and benefits	(436)	(365)	(872)	(730)
Share-based compensation expense	(957)	(369)	(224)	(626)
Total	**(1,393)**	**(734)**	**(1,096)**	**(1,356)**

Other Related Party Transactions

The Company has entered into a series of loans with Kings Chapel International Limited (“Kings Chapel”) to facilitate timely investments and provide general working capital. Kings Chapel is owned by an irrevocable discretionary trust associated with Julian Treger, the Company's Chief Executive Officer and a director of the Company (Note 13, Related Party Transactions).

On June 11, 2026, CoTec USA, a wholly owned subsidiary of the Company, entered into three equipment purchase and sale agreements with Maginito Singapore Private Limited ("Maginito Singapore"), a subsidiary of Maginito Ltd, in which the Company holds an equity interest and which is the Company's joint venture partner in HyProMag USA. Under the agreements, Maginito Singapore purchases rare earth magnet making equipment from unrelated third-party manufacturers and sells it to CoTec USA.

December 2025 Compensation Agreement

Under the December 2025 Compensation Agreement (so named because the award period ends December 31, 2025), the CEO was entitled, on each closing of a financing transaction from November 27, 2023 to December 31, 2025, to:

- Equity incentive units ("EIUs") equal to 7% of the common shares issued or issuable; and
- Stock options equal to 5% of the common shares issued,

in each case excluding shares on which broker fees are payable.

Each stock option has an exercise price equal to the closing share price on the grant date, a 10-year term, and vests in equal thirds over three years.

Each EIU is economically equivalent to one common share and vests on the earlier of (i) December 31, 2026, provided the 30-day VWAP on the principal exchange is at least $1.10 per share (adjusted for any share reorganization), and (ii) completion of a change of control, in each case subject to the holder's continued engagement as Executive Chair or CEO on the Vesting Date. Within 10 days of vesting, the Company will settle each EIU, at its discretion, in either one common share or cash equal to the 5-day VWAP preceding the Vesting Date.

EIUs are accounted for as cash-settled share-based payments and are remeasured at fair value at each reporting date. The fair value of EIUs outstanding at June 30, 2026 was $2,630.

As at June 30, 2026, 2,409,173 vested EIUs remain unpaid resulting in a current liability of $1,219 to the CEO. As at June 30, 2026, the fair value of the unvested EIUs were $1,411, calculated using Monte Carlo simulation using an expected annual volatility of approximately 79% based on historical annual volatility to estimate the expected value by averaging the ending stock prices as at the vesting dates over 10,000 simulations.

Should the common shares trade at $1.10 per share as of the Vesting Date for the December 2025 Compensation Agreement, the estimate liability for these EIUs would be $2,571. At $1.15 per share, the estimated liability would be $2,633; at $1.20 per share, the estimated liability would be $2,694, and at $1.25 per share the estimated liability would be $2,755. As at June 30, 2026, the closing share price for the Company on the TSX-V, was $1.45 per share, which if traded at these levels as of the Vesting Date, results in a liability of $3,001.

No EIU’s were granted to the CEO pursuant to the above-noted arrangement during the six months ended June 30, 2026:

(Expressed in Thousands of Canadian Dollars)

Balance of Unvested EIUs			
Owner	**Number Awarded #**	**Grant Value $**	**Value as at Jun. 30, 2026 $**
CEO	1,571,640	602	1,411
	1,571,640	**602**	**1,411**

No Stock Options were granted to the CEO pursuant to the December 2025 Compensation Agreement during the three months ended June 30, 2026.

The Balance of Stock Options held by the CEO and Board Chairman as at June 30, 2026 were as follows:

Balance of Stock Options as of June 30, 2026	
Owner	**Number Awarded #**
CEO	3,853,971
Board Chairman	430,611
	4,284,582

13 Convertible Loan

	Jun. 30, 2026	**Jun. 30, 2025**
Present value of Convertible Loan	-	$2,195
Accretion for the year	101	358
Reallocated to Convertible loan interest	(101)	-
Ending Balance	-	$2,553
Equity Portion	-	$447

2024 Convertible Loan

The loan was fully settled during 2025, with $236 of unpaid interest of remaining at June 30, 2026.

2025 Convertible Loans

On August 11, 2025, the Company entered into unsecured convertible loan facilities with Kings Chapel International Limited ("Kings Chapel") and certain funds managed by Epic Capital Management Inc. ("Epic

Capital") totalling $6,600 ($5,000 and $1,600, respectively), bearing interest at 10% per annum, maturing December 31, 2028, and carrying a 2.5% standby fee on undrawn amounts. Principal was convertible at the holder's option, on or after November 15, 2025, into common shares at $1.15 per share, with automatic conversion (per an October 16, 2025 amendment) upon the 15-day VWAP reaching $1.35, subject to a 49% ownership limitation for Kings Chapel and related parties. The conversion terms satisfied the fixed-for-fixed condition under IAS 32, and the loans were classified as compound financial instruments, with the liability component measured at the present value of contractual cash flows using a 12% discount rate and the residual recognised in equity.

Drawdowns under the 2025 Convertible Loans were allocated between liability and equity as follows: $2,000 from Kings Chapel on December 18, 2025 ($1,895 / $105); $200 from Epic Capital on December 22, 2025 ($197 / $3); and $400 from Epic Capital on January 30, 2026 ($380 / $20).

On April 30, 2026, the Company settled the full $2,600 of principal drawn to date by issuing 2,260,869 common shares to the Lenders at a fair value of $1.34 per share resulting in a loss on settlement of $568. Concurrently, the remaining $4,000 undrawn facility was amended and restated (the "Amended and Restated Convertible Loans"), with Kings Chapel and Epic Capital making available up to $3,000 and $1,000, respectively, drawable until June 12, 2026. Terms otherwise remain unchanged, except that the conversion price is $1.33 per share at the election of either party, the automatic-conversion feature was removed, and each draw requires concurrent issuance of non-transferable warrants equal to 50% of the principal drawn divided by $1.33, exercisable at $1.33 per share for one year. The conversion terms continue to satisfy the fixed-for-fixed condition under IAS 32, and the instruments remain compound financial instruments measured on the same basis.

On June 4, 2026, the Company drew $3,000 from Kings Chapel, allocated as $2,340 to the liability component, $136 to the conversion-option equity component, and $525 to warrant reserve, with 1,127,819 warrants issued concurrently. On June 5, 2026, the Company drew $1,000 from Epic Capital across three funds, allocated in aggregate as $780 to the liability component, $45 to the conversion-option equity component, and $175 to warrant reserve, with 375,939 warrants issued concurrently. Each warrant entitles the holder to acquire one common share at $1.33 per share for one year from the date of issuance and is classified within equity under IAS 32. The warrants were fair-valued using the Black-Scholes model with a share price of $1.41, exercise price of $1.33, one-year term, risk-free rate of 2.80%, volatility of 77%, and no dividend yield.

On June 11, 2026, following TSXV approval, the Company converted the full $4,000 outstanding principal under the Amended and Restated Convertible Loans into an aggregate of 3,007,518 common shares (2,255,639 to Kings Chapel and 751,879 to Epic Capital) at a fair value of $1.41 per share. Following the conversion, no principal remained outstanding under the Amended and Restated Convertible Loans.

The conversion on April 30, 2026 was accounted for in accordance with IFRIC 19: the shares issued were measured at their fair value on the respective conversion dates, the carrying amounts of the liability and related equity components were derecognised, and the difference was recognised as a Loss on Settlement of $568 in profit or loss for the period.

(Expressed in Thousands of Canadian Dollars)

Following the settlement of the loans, $443 of unpaid interest and standby fees remain at June 30, 2026.

14 Fair Value Measurements of Financial Instruments

The categories of fair value hierarchy that reflect the significance of inputs used in making fair value measurements are as follows:

Level 1 – quoted 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 (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data

The levels in the fair value hierarchy into which our financial assets and liabilities that are measured and recognized in the consolidated statements of financial position at fair value on a recurring basis were categorized as follows:

	Fair value at June 30, 2026			
	Level 1	**Level 2(1)**	**Level 3(1)**	**Total**
Equity securities	**-**	**-**	**7,967**	**7,967**
MagIron Warrants	**-**	**-**	**324**	**324**
Balance, end of year	**-**	**-**	**8,291**	**8,291**

(1) MagIron warrants are included in Level 3 as the basis of valuation do not have regular market pricing, but whose fair value can be determined based on a combination of evidence from an external arm's length transaction associated with the investee's equity, as well as certain assumptions used in the calculation of the fair value are not based on observable market data. Equity securities of BSL and Ceibo are included in Level 3 as the basis of valuation do not have a regular market pricing, but whose fair value can be determined based on evidence from external transactions in the investee's equity. The carrying value of cash, receivables, and accounts payable approximates fair value due to the short-term nature of the financial instruments. During the six months ended June 30, 2026, no amounts were transferred between Levels.

Sensitivity Analysis for Recurring Fair Value Measurements Categorized within Level 3

Sensitivity analysis of financial instruments is performed to measure favourable and unfavourable changes in fair value of financial instruments which are affected by the unobservable parameters, by varying input parameters to showcase step-changes in fair value. When the fair value is affected by more than two input parameters, the amounts represent the most favourable or unfavourable.

(Expressed in Thousands of Canadian Dollars)

The results of the sensitivity analysis for effect on profit or loss (before tax) from changes in inputs for the major financial instruments which are categorized within Level 3 and subject to sensitivity analysis are as follows:

	Favourable changes ($)		**Unfavourable changes ($)**	
	Profit or loss	Equity	Profit or loss	Equity
Ceibo Inc.	213	213	(213)	(213)
Binding Solutions Ltd.	584	584	(584)	(584)
MagIron Warrants	32	32	(32)	(32)
Financial assets at FVTPL	829	829	(829)	(829)

For equity investments, changes in their fair value are calculated by considering and changes in equity revaluation (10% increase/decrease).

15 Earnings (loss) Per Share

The Company recorded a net loss for the three and six months ended June 30, 2026 and 2025; accordingly, all potentially dilutive instruments are anti-dilutive and basic and diluted loss per share are equal. The calculations of basic and diluted income/(loss) per share are based on the following:

	For the three months ended		**For the six months ended**	
	Jun. 30, 2026	**Jun. 30, 2025**	**Jun. 30, 2026**	**Jun. 30, 2025**
Net (loss) income attributable to equity holders of CoTec	**$ (7,627)**	**$ (3,369)**	**$ (10,262)**	**$ (6,002)**
Weighted average number of common shares issued	109,383	72,476	116,606	72,019
Basic net income per share	**($0.07)**	**($0.05)**	**($0.09)**	**($0.08)**
Diluted net income per share	**($0.07)**	**($0.05)**	**($0.09)**	**($0.08)**
The following instruments were excluded from the diluted loss per share calculation:				
Stock options(thousands)	3,393	371	3,596	567
Warrants (thousands)	335	-	521	19
Equity incentive units (thousands)	-	113	-	576

(Expressed in Thousands of Canadian Dollars)

16 Segment Information

The Company operates in one reportable segment, operating as an investment issuer focused on the extraction of resources through environmentally sustainable technologies and strategic asset acquisitions. The Chief Operating Decision Maker reviews all operations and monitors investments at a corporate level. Discrete financial information is therefore not prepared for individual business units, and the Company does not have separately reportable segments as defined under IFRS 8.

A summary of segment activity during the six months ended June 30, 2026, as of June 30, 2026, and 12 months ended December 31, 2025 is as follows:

June 30, 2026				
	UK	US	CAD	Total
Total Assets	17,956	8,832	17,189	43,977
Total Liabilities	-	-	6,472	6,472
Net Loss	(310)	(2,140)	(7,812)	(10,262)

June 30, 2025, Restated Note 2(f)				
	UK	US	CAD	Total
Net Loss	(543)	(3,234)	(2,225)	(6,002)

December 31, 2025				
	UK	US	CAD	Total
Total Assets	17,458	8,245	4,686	30,389
Total Liabilities	-	-	10,126	10,126
Net Loss	(1,595)	(7,102)	(10,460)	(19,157)

17 Risk Management

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include credit risk, currency risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its financial assets including cash and receivables and illiquid financial assets including funds transferred to HyProMag USA and the Company's IZ note receivable. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with investment-grade Canadian and United States financial institutions as determined by credit rating agencies. Receivables mainly consist of interest receivable from its cashable guaranteed investment certificate ("GIC"), funds transferred to HyProMag USA, and note receivable from IZ.

Currency risk

The Company's operations are in Canada, the United States, and the United Kingdom. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency. The Company's operating expenses are incurred primarily in Canadian dollars, its assets in US dollars and British Pounds, and its liabilities are denominated primarily in Canadian dollars, or US dollars. The fluctuation of the Canadian dollar, US dollar, and British Pound will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities. As at June 30, 2026, the Company held cash in Canadian and US Dollars ("CADUSD"), therefore would incur some currency risk in its position. If the CADUSD FX rate increased/decreased by +/-10%, then the resulting change in USD cash balance would increase/decrease by $17/($17). Sensitivities that create notable step-changes in fair value are shown in Note 14. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings, and short-term debt to satisfy its capital requirements and will continue to depend heavily upon these financing activities. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company is exposed to risk that it will encounter difficulty in satisfying liabilities on maturity. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. Although the Company did raise for gross proceeds of $19,072 through a Warrant Exercise, as well as secured $4,400 in total convertible loan facilities (see Note 13, Convertible Loan).

The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future development of its projects, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions, and underlying success of its investments. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings which are subject to risks around the Company being able to operate as a going concern (see Note 1).

(Expressed in Thousands of Canadian Dollars)

The following table summarizes the undiscounted contractual maturities of the Company's financial liabilities as at June 30, 2026

June 30, 2026				
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Accounts Payable	561	-	-	561
Accrued Liabilities	1,063	-	-	1,063
Stock-Based Compensation	2,630	-	-	2,630
Convertible Loan Interest	443	-	-	443
DSUs	-	1,775	-	1,775
Total	4,697	1,775	-	6,472

Price Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. The Company's equity investments amounting to $8,291 are subject to fair value fluctuations. As at June 30, 2026, if the fair value of the Company's investments had decreased/increased by 10% with all other variables held constant, income and comprehensive income for the period would have been approximately $829 lower/higher.

18 Commitments

On June 11, 2026, CoTec USA, a wholly owned subsidiary of the Company, entered into three equipment purchase and sale agreements for the acquisition of rare earth magnet making equipment with an aggregate base purchase price of US$24.8 million. Approximately US$23.4 million is due within 1 year, and approximately US$1.4 million is due within 1-5 years. The equipment is manufactured and sold by unrelated third-party equipment manufacturers with the majority of equipment being purchased via Maginito Singapore Private Limited ("Maginito Singapore"), a related party.

19 Subsequent Events

MagIron Warrants

Subsequent to June 30, 2026, the Company exercised 92,878 MagIron warrants at an exercise price of US$1.0876 per share, for an aggregate exercise price of US$101,014, acquiring 92,878 Class A common shares of MagIron. The exercise did not materially change the Company's ownership interest in MagIron, which was approximately 16.7% following the exercise (June 30, 2026 – 16.5%), and had no effect on the

Company's fully diluted ownership interest of approximately 16.7%, as the warrants were already included in that measure.

Stock Option Exercise

The Company also had a consultant who held 150,000 Stock Options exercise his options at an exercise price of $0.50 per Option for total proceeds of $75.

Convertible Notes

On August 11, 2026, the Company announced a non-brokered private placement of unsecured convertible debentures for gross proceeds of up to $20.0 million. The convertible debentures will mature five years from issuance, bear interest at 12.5% per annum payable semi-annually in arrears, and are convertible into common shares at the option of the holder at a conversion price of $1.75 per share. The Company may redeem the debentures at any time at principal plus accrued interest, together with a make-whole interest payment if redeemed prior to the third anniversary of issuance. Net proceeds are intended to be used for equipment purchases relating to the HyProMag USA joint venture and working capital. The offering is subject to TSXV approval and had not closed as at the date these financial statements were approved.