

LIPARI MINING LTD.

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

**For the three and six-month periods ended
June 30, 2025 and 2024**

Expressed in Canadian dollars

(Unaudited)



Table of contents

Responsibility for condensed consolidated interim financial statements	3
Condensed consolidated interim statements of financial position	4
Condensed consolidated interim statements of operations and other comprehensive loss	5
Condensed consolidated interim statements of changes in shareholders' equity	6
Condensed consolidated interim statements of cash flows	7
Notes to the condensed consolidated interim financial statements	8

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited interim condensed consolidated financial statements of the Lipari Mining Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity's auditor.



RESPONSIBILITY FOR CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying condensed consolidated interim financial statements of Lipari Mining Ltd. (the "Company" or "Lipari") are the responsibility of the company's management and have been approved by the board of directors of the Company (the "Board of Directors"). The condensed consolidated interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the Company's condensed consolidated interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting using accounting policy consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") appropriate in the circumstances. Management has established processes, which are in place to provide sufficient knowledge to support management's representations that it has exercised reasonable diligence that the condensed consolidated interim financial statements fairly present in all material respects the financial condition, financial performance, and cash flows of the Company, as at and for the periods presented in the condensed consolidated interim financial statements. The Board of Directors is responsible for reviewing and approving the condensed consolidated interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The audit committee of the Company (the "Audit Committee") assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the condensed consolidated interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its condensed consolidated interim financial statements together with other financial information of the Company for issuance to the shareholders. Management recognizes its responsibility for conducting the Company's affairs in compliance with IFRS as issued by the IASB, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

/s/ "Kenneth Johnson"
Kenneth Johnson
President and Chief Executive Officer

/s/ "Geovani Mariz"
Geovani Mariz
Chief Financial Officer

August 14, 2025



CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(expressed in Canadian dollars)

UNAUDITED	Notes	June 30, 2025	December 31, 2024
Current assets			
Cash and cash equivalents	9	\$ 813,877	\$ 249,922
Inventories	10	8,039,464	7,243,069
Recoverable taxes	11	882,091	1,023,850
Federal tax prepayments		108,921	220,428
Prepaid expenses		916,281	943,178
Loans receivable		-	60,000
Total current assets		\$ 10,760,634	\$ 9,740,447
Non-current assets			
Property, plant and equipment	12	\$ 9,975,846	\$ 10,520,655
Exploration and evaluation	13	13,583,583	12,481,339
Intangible assets		59,416	35,114
Recoverable taxes	11	1,023,715	987,314
Prepaid expenses		242,521	528,486
Loans receivable	22	4,709	4,969
Total non-current assets		\$ 24,889,790	\$ 24,557,877
Total assets		\$ 35,650,424	\$ 34,298,324
Current liabilities			
Trade accounts payable	23	\$ 6,614,853	\$ 5,622,210
Personnel costs payable		932,796	683,602
Taxes, fees and contributions payable		568,503	321,856
Loans and borrowings payable	14, 23	291,622	157,093
Provision for legal claims	16	400,153	217,533
Shareholder advances	22	6,743,551	650,782
Other liabilities		117,125	1,619,524
Total current liabilities		\$ 15,668,603	\$ 9,272,600
Non-current liabilities			
Provision for decommissioning and restoration	15	\$ 747,679	\$ 654,012
Provision for legal claims	16	2,698,122	2,451,412
Other liabilities		74,242	69,222
Total non-current liabilities		\$ 3,520,043	\$ 3,174,646
Total liabilities		\$ 19,188,646	\$ 12,447,246
Shareholders' Equity			
Share capital	17	\$ 103,567,738	\$ 97,435,820
Contributed surplus		1,684,890	690,554
Equity reserves		59,658	-
Accumulated other comprehensive income		(7,449,430)	(7,004,265)
Retained deficit		(83,053,200)	(71,173,125)
Equity attributable to equity shareholders		14,809,656	19,948,984
Non-controlling interest	5	1,652,122	1,902,094
Total shareholders' equity		\$ 16,461,778	\$ 21,851,078
Total liabilities and shareholders' equity		\$ 35,650,424	\$ 34,298,324

Nature of operations and going concern

Note 1

Commitment and contingencies

Note 25

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

Signed on behalf of the Board of Directors:

/s/ "Stephen Woodhead"
Stephen Woodhead
Director

/s/ "Paul Zimmisky"
Paul Zimmisky
Director

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE (LOSS) INCOME
(expressed in Canadian dollars)

UNAUDITED	Notes	Three months ended June 30		Six months ended June 30	
		2025	2024	2025	2024
Revenue	22	\$ 4,550,158	\$ -	\$ 9,567,250	\$ 1,798,755
Cost of sales					
Production costs	18	(6,529,968)	-	(12,287,614)	(2,766,275)
Depreciation		(472,849)	94,985	(1,909,113)	(152,456)
Gross loss		\$ (2,452,659)	\$ 94,985	\$ (4,629,477)	\$ (1,119,976)
General and administrative expenses	19	(1,173,597)	(1,810,838)	(4,084,959)	(3,128,841)
Amortization		(27,626)	(32,599)	(59,430)	(104,945)
Exploration and evaluation costs	20	(254,006)	(1,290,398)	(557,280)	(1,951,063)
Impairment loss on non financial assets		(1,922,140)	-	(1,922,140)	-
Other operating gain (loss)		(296,712)	14,288	(35,543)	(47,994)
Loss before other items		\$ (6,126,740)	\$ (3,024,562)	\$ (11,288,829)	\$ (6,352,819)
Foreign exchange (loss) gain		419,682	(129,930)	1,420,517	(409,923)
Finance expenses	21	(561,851)	156,715	(700,645)	(236,412)
Transaction costs		-	-	(1,462,775)	-
Loss before income taxes		\$ (6,268,909)	\$ (2,997,777)	\$ (12,031,732)	\$ (6,999,154)
Net loss		\$ (6,268,909)	\$ (2,997,777)	\$ (12,031,732)	\$ (6,999,154)
Other comprehensive loss					
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of wholly-owned foreign operations		(93,213)	186,808	(126,872)	121,678
Exchange differences on translation of foreign operations with non-controlling interests		(370,938)	(131,243)	(416,608)	50,055
Additions to tax incentive reserves		-	-	-	-
Total comprehensive loss		\$ (6,733,060)	\$ (2,942,212)	\$ (12,575,212)	\$ (6,827,421)
Attributable to:					
Equity shareholders of the company		(6,196,497)	(2,669,724)	(11,880,075)	(6,501,904)
Non-controlling interests		(72,412)	(328,053)	(151,657)	(497,250)
Net loss		\$ (6,268,909)	\$ (2,997,777)	\$ (12,031,732)	\$ (6,999,154)
Attributable to:					
Equity shareholders of the company		(6,565,970)	(2,575,186)	(12,325,240)	(6,336,586)
Non-controlling interests		(167,090)	(367,026)	(249,972)	(490,835)
Total comprehensive loss		\$ (6,733,060)	\$ (2,942,212)	\$ (12,575,212)	\$ (6,827,421)
Loss per share	6				
Loss per share - basic and diluted		\$ (0.04)	\$ (0.02)	\$ (0.08)	\$ (0.07)
Weighted average shares outstanding - basic and diluted		146,859,936	109,093,859	141,324,514	97,097,438

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



CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(expressed in Canadian dollars)

UNAUDITED		Equity attributable to equity shareholders									

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(expressed in Canadian dollars)

UNAUDITED	Notes	Six months ended June 30	
		2025	2024
Cash flows from operating activities			
Loss for the period		(12,031,732)	(6,999,154)
Adjustments and non-cash items:			
Depreciation, depletion, and amortization	12	1,968,543	206,259
Impairment loss on non financial assets		1,922,140	-
Share-based payment expense		59,658	-
Interest expense		426,741	194,306
Unrealized foreign exchange (loss) gain		(416,495)	396,879
Loss on the sale of property, plant and equipment		(80,829)	(4,081)
Changes in inventory provisions to net realizable value	10	2,036,007	(829,946)
Changes in provisions for legal claims		227,866	104,206
Recoverable tax allowance recoveries		(10,587)	(21,389)
Other non-cash expense		44,382	(78,500)
Transaction costs	2	1,462,775	-
		(4,391,531)	(7,031,420)
Changes in:			
Inventories		(1,441,108)	958,161
Recoverable taxes		259,836	(360,964)
Federal tax prepayments		85,614	(69,391)
Prepaid expenses		138,938	(895,114)
Trade accounts payable		(683,862)	1,183,405
Personnel costs payable		173,308	284,853
Taxes, fees and contributions payable		266,049	(69,438)
Shareholder advances		5,920,534	(499,464)
Other liabilities		(106,205)	526,872
Net cash flow used in operating activities		221,573	(5,972,500)
Cash flows from investment activities			
Purchases of property, plant and equipment	12	(3,478,050)	(7,895,940)
Investments in intangible assets		(21,938)	(64,178)
Proceeds from sale of property, plant and equipment		15,278	4,800
Cash acquired from acquisition of subsidiaries		70,292	-
Disbursements for loans provided to related party borrowers		(160,500)	(20,000)
Cash flow used in investing activities		(3,574,918)	(7,975,318)
Cash flows from financing activities			
Issuance of shares	17	4,004,686	14,559,834
Interest paid	14	(33,549)	(217,753)
Repayments of loans and borrowings payable	14	(807,280)	(861,145)
Proceeds from loans and borrowings payable	14	747,431	-
Net cash provided by financing activities		3,911,288	13,480,936
Effect of exchange rate changes on cash		6,012	(18,995)
Net increase in cash and cash equivalents		563,955	(485,877)
Cash and cash equivalents at beginning of the period		249,922	701,052
Cash and cash equivalents at end of the period		813,877	215,175

Non-cash transactions include costs related to a financing agreement with Caterpillar Finance and the conversion of debt into equity as disclosed in Note 14. Other liabilities totaling \$1,029,216 were converted into equity as disclosed in Note 17. Share-based payments are also disclosed in Note 17.

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited

1. NATURE OF OPERATIONS AND GOING CONCERN



Lipari Mining Ltd. ("Company" or "Lipari") is a company continued under the Business Corporations Act (Ontario).

The Company and its subsidiaries are engaged in the acquisition, exploration, development, and operation of diamond properties. The Company's registered address is 40 King St. W. Suite 2400, Toronto, ON M5H 3Y2 and its head office is located at Rua João Chagas Ortins de Freitas, 517, Sala 301, Lauro de Freitas, Bahia, Brazil CEP:42.710-610.

Going Concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, assuming that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they become due.

For the three and six-month periods ended June 30, 2025, the Company incurred a net loss of \$12,031,732 (\$6,999,154 net loss for the three and six-month periods ended June 30, 2024). As of June 30, 2025, the Company had a working capital deficit of \$ 4,907,969 (compared to a working capital surplus of \$467,847 as of December 31, 2024), cash and cash equivalents of \$813,877 (compared to \$249,922 as of December 31, 2024), loans and borrowings payable of \$ 291,622 (compared to \$157,093 as of December 31, 2024), and a retained deficit of \$83,053,200 (compared to \$71,173,125 as of December 31, 2024).

The ability of the Company to continue as a going concern depends on management's ability to raise additional capital in the equity and/or debt markets, enabling the Company to meet its liabilities as and when they fall due. Although the Company has previously been successful in raising equity and securing debt facilities, future fundraising efforts may not succeed or may fall short of the amounts required in the foreseeable future. The above conditions indicate the existence of a material uncertainties that cast significant doubt on the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not include the adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern, and these adjustments may be material.

2. REVERSE TAKEOVER TRANSACTION

On March 15, 2023, Lipari Diamond Mines Ltd. ("LDM") and Golden Share Resources Corporation ("Golden Share") entered into a share exchange agreement (the "Share Exchange Agreement") which established the terms of a reverse take-over transaction ("RTO") of LDM by Golden Share. The Share Exchange Agreement was amended on October 10, 2023, March 29, 2024, June 19, 2024, July 31, 2024, September 30, 2024, November 1, 2024, December 9, 2024, and December 31, 2024.

Prior to the closing of the RTO, Golden Share completed a name change to "Lipari Mining Ltd." and consolidated its outstanding common shares (the "Consolidation") on the basis of one (1) post-Consolidation common share for every ten (10) pre-Consolidation common shares (the "Consolidation Ratio"). Following the Consolidation, all outstanding convertible securities of Lipari (i.e. Golden Share) automatically adjusted in accordance with their terms to give effect to the Consolidation such that, the holders of convertible securities of Golden Share remained entitled to acquire common shares in the capital of Lipari (with adjustments made to account for the Consolidation Ratio) (the "Common Shares").

The RTO was completed on March 19, 2025, and all of the common shares in the capital of LDM (the "LDM Shares") held by the former shareholders of LDM were converted into post-Consolidation Common Shares of Lipari, on the basis of 2.21678892 post-Consolidation Common Shares for every LDM Share (the "Exchange Ratio").

Immediately prior to the closing of the RTO, LDM completed a private placement (the "Offering") of 3,620,750 subscription receipts ("Subscription Receipts") at a price of US\$1.00 per Subscription Receipt (the "Issue Price"). Prior to the closing of the RTO, each Subscription Receipt was converted, for no additional consideration, into one LDM Share and one LDM Share purchase warrant (the "LDM

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period ended June 30, 2025
(expressed in Canadian dollars)



Unaudited

Warrants"). Each LDM Warrant entitled the holder thereof to acquire one LDM Share at a price of C\$1.55 at any time on or before March 19, 2027, subject to adjustment in certain events. The LDM Shares and LDM Warrants issued in the Offering were exchanged for Common Shares and Common Share purchase warrants of Lipari ("Lipari Warrants") based on the Exchange Ratio. Following such exchange each Lipari Warrant entitles the holder to acquire one Common Share at a price of C\$0.70 at any time on or before March 19, 2027.

In connection with the completion of the RTO, an aggregate of 134,014,919 post-Consolidation Common Shares of the Company was issued to the former shareholders of LDM in exchange for all outstanding LDM Shares, based on the Exchange Ratio and a total of 4,818,579 post-Consolidation Common Shares of the Company were issued to the former shareholders of Golden Share.

Upon the closing of the RTO the 3,620,750 Subscription Receipts issued pursuant to the Offering were automatically converted, without further consideration, into 8,026,438 post-Consolidation Common Shares and 8,026,438 Lipari Warrants, after applying the Exchange Ratio to the LDM Shares.

Following the completion of the RTO, the total number of issued and outstanding Common Shares was 146,859,936.

Following the closing of the RTO, the Board of Directors granted approximately 2,402,598 restricted share units ("RSU") to directors, officers and advisors at a price of \$0.61 per Common Share. These RSUs vest in accordance with Lipari's omnibus long-term equity incentive plan (the "omnibus Plan") and the policies of Cboe Canada Inc.

As the former shareholders of LDM control the Company following the RTO, the RTO was accounted for as a reverse acquisition whereby LDM is deemed to be the acquirer for accounting purposes. As a result, the condensed consolidated interim financial statements for the three and six-month periods ended June 30, 2025, represent the continuation of LDM and reflect the identifiable assets acquired and liabilities assumed of the Company at fair value.

The total purchase price was allocated based on the relative fair value of the assets and the liabilities acquired, as shown below:

Fair value of assets and liabilities acquired:	
Cash and cash equivalents	\$ 70,292
HST receivables, prepayments and other financial assets	6,536
Exploration and evaluation assets - Band ore project	1,543,101
Accounts payable and accrued liabilities	(165,388)
Loans payable	(228,885)
Long term debt	(100,000)
Fair value of assets and liabilities acquired	1,125,655
Listing expense	1,462,775
Total fair value of consideration transferred	\$ 2,588,430

3. BASIS OF PREPARATION

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") and the IFRS Accounting Standards as issued by IASB – International Accounting Standard Board and Interpretations issued by the IFRS interpretations Committee applicable to companies reporting under IFRS.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on August 14, 2025.

Basis of measurement

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period ended June 30, 2025
(expressed in Canadian dollars)



Unaudited

The condensed consolidated interim financial statements have been prepared on a going concern basis under the historical cost basis, except for certain financial instruments measured at fair value, property, plant and equipment impairment measures at net realizable value ("NRV") and inventories written down to net realizable value ("NRV") as disclosed in the accounting policies below. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional currency, presentation currency and basis of consolidation

These condensed consolidated interim financial statements are being presented in Canadian dollars and comprise the financial results of the Company and the subsidiaries over which it has the ability to exercise control. The Company and all of its subsidiaries have a December 31 year end. Details regarding the Company's subsidiaries functional currency as at June 30, 2025, are summarized in the following table:

Entity	Property/ Function	Jurisdiction	Functional currency ⁽¹⁾	Interest as at	
				June 30, 2025	December 31, 2024
Lipari Diamond Mines Ltd. ("LDM")	Corporate	Canada	CAD	100%	100%
Sopemi Holdings Ltd. ("Sopemi UAE")	Corporate	United Arab Emirates	AED	100%	100%
Lipari Mineração Ltda. ("Lipari Brazil")	Brauna Project	Brazil	BRL	100%	100%
Mineração Montes Claros Ltda. ("MMC Brazil")	Jaibaras Project	Brazil	BRL	100%	100%
Sopemi - Sociedade de Pesquisa e Exploração Mineira S.A. ("Sopemi Angola")	Corporate	Angola	AOA	100%	100%
Tchitengo Mining - Sociedade de Pesquisa e Exploração Mineira Ltda. ("Tchitengo Angola") (2)	Tchitengo Project	Angola	AOA	75%	75%

⁽¹⁾ CAD = Canadian dollar, AED = United Arab Emirates dirham, BRL = Brazilian real, AOA = Angolan kwanza,

⁽²⁾ Tchitengo Angola. is owned 75% by Sopemi Angola and 25% by Endiana Mining, Limitada, an affiliate of the national diamond company and exclusive concessionary of diamond mining rights of Angola.

All inter-company balances and transactions, income and expenses have been eliminated upon consolidation.

Significant estimates and judgments

The preparation of these condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed consolidated interim financial statements, and the reported amounts of revenue and expenses during the reporting periods. Judgments, estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially from these estimates. Revisions to estimates are recognized prospectively. The key areas where judgments, estimates and assumptions have been made are summarized below.

- Inventories**

The NRV of diamond and ore in stockpile inventories is based on the most recent sale by the Company according to the valuation report issued by an independent appraisal specialist for that sale.

The NRV of spare parts is based on the aging of inventories.

- Mineral reserves and resources**

Mineral reserve and resource estimates include numerous uncertainties and depend heavily on geological interpretations and statistical inferences drawn from drilling and other data and require estimates of future prices for rough diamonds and future cost of operations. The mineral reserve and resources are subject to uncertainty and actual results may vary from these estimates. Results from drilling, testing and production, as well as material changes in rough diamond prices and operating costs subsequent to the date of the estimate, may justify revisions of such estimates. Changes in the mineral resources estimates may impact the mining properties in property, ore processing plant and equipment, as well as the carrying amount of the decommissioning and restoration liability in the consolidated statement of financial position, and depreciation and depletion charges to be recognized in the consolidated statement of operations and other comprehensive (loss) income.



- **Depreciation and depletion of property, plant and equipment**

Property, plant and equipment are amortized over the life of the mine based on the depletion under the units-of-production method. Under the units-of-production method, depreciation is based on the level of output or usage expected to be achieved during the mine's expected useful life and estimates of future production. The estimates of future production are reviewed and revised at each reporting date to review the expected useful life. Estimated recoverable resources are determined based on a professional evaluation using accepted international standards for the estimation of mineral reserves and resources. A change in the original estimate of mineral resources would result in a change in the rate of depreciation and depletion of the related mining properties and industrial plant assets.

- **Impairment assessment**

For exploration and evaluation assets, the Company considers indicators including the Company's continued ability and plans to further develop the projects, the potential commercial viability of the projects, evidence indicating that licenses required to advance the projects have expired, and whether exploration results have not led to the discovery of commercially viable quantities of mineral resources.

At each reporting date or whenever changes in circumstances have taken place, the Company applies significant judgment in assessing (a) whether events or circumstances indicate the recoverable amount may be less than the carrying amounts of property, plant and equipment and exploration and evaluation assets and (b) whether or not there has been an impairment. The recoverable amount is the greater of its value-in-use and its fair value less cost of disposal.

An impairment loss is recognized to the extent that the carrying amount of those assets is not recoverable.

- **Provision for decommissioning and restoration**

The provision for decommissioning and restoration recorded are based on estimates of future cash flows, discount rates, and assumptions regarding timing. The estimates are subject to change and the actual costs for the decommissioning and restoration liability may change significantly.

- **Equity investments**

Upon acquiring equity securities in another entity, the Company is required to assess under IFRS (i) whether the terms of the transaction provided the Company no control, joint control or effective control over the acquiree and (ii) whether the acquiree's activities meet the definition of a business and should be accounted for as a business combination or alternatively if the transaction shall be accounted for as an asset acquisition. These assessments determine the accounting treatment for the transaction and form of consolidation thereafter.

- **Title to mineral property interests**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and titles may be affected by undetected defects.

- **Valuation of deferred income tax assets**

Each year, the Company evaluates the likelihood of whether some portion of deferred tax assets, if any, will be realized. This evaluation is based on historic and future expected levels of taxable income, the timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, tax planning initiatives, and deferred tax rates.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)



Unaudited

- **Income, value added, withholding and other taxes**

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

- **Provisions and legal claims**

Provisions and contingencies arising in the course of operations, including provisions for income or other tax matters are subject to estimation uncertainty. Management uses all the information available in assessing the recognition, measurement and disclosure of matters that may give rise to provisions or contingencies. The actual outcome of various provisional and contingent matters may vary and may cause significant adjustments to the Company's assets when the amounts are determined, or additional information is required (refer to Notes 16 and 25).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited



4. SEGMENT REPORTING

The reportable operating segments are those operations for which operating results are reviewed by the chief operating decision maker regarding decisions about resources to be allocated to the segment and to assess performance provided those operations pass certain quantitative thresholds. Operations with revenues, earnings or losses or assets that exceed 10% of total consolidated revenue, earnings or losses or assets are reportable segments.

Information regarding the results of each reportable segment is included below.

		Canada		Brazil		Angola		Total	
	Notes	Period Ended June 30		Period Ended June 30		Period Ended June 30		Period Ended June 30	
		2025	2024	2025	2024	2025	2024	2025	2024
Revenue	Note 20	\$ -	\$ -	\$ 9,567,250	\$ 1,798,755	\$ -	\$ -	\$ 9,567,250	\$ 1,798,755
Cost of sales									
Production costs	Note 21	-	-	(12,287,614)	(2,766,275)	-	-	(12,287,614)	(2,766,275)
Depreciation		-	-	(1,909,113)	(152,456)	-	-	(1,909,113)	(152,456)
Gross profit		\$ -	\$ -	\$ (4,629,477)	\$ (1,119,976)	\$ -	\$ -	\$ (4,629,477)	\$ (1,119,976)
General and administrative expenses	Note 22	(2,398,733)	(1,148,493)	(1,686,226)	(1,980,348)	-	-	(4,084,959)	(3,128,841)
Amortization		(724)	-	(28,183)	(75,441)	(30,523)	(29,504)	(59,430)	(104,945)
Exploration and evaluation costs		-	-	-	-	(557,280)	(1,951,063)	(557,280)	(1,951,063)
Impairment loss on non financial assets		-	-	(1,922,140)	-	-	-	(1,922,140)	-
Other operating (expenses) recoveries		39,394	(49,438)	(78,673)	3,531	3,736	(2,087)	(35,543)	(47,994)
Operating loss		\$ (2,360,063)	\$ (1,197,931)	\$ (8,344,699)	\$ (3,172,234)	\$ (584,067)	\$ (1,982,654)	\$ (11,288,829)	\$ (6,352,819)
Foreign exchange (loss) gain		(1,030,104)	(41,472)	2,469,338	(336,126)	(18,717)	(32,325)	1,420,517	(409,923)
Finance costs	Note 23	(23,010)	(199,885)	(668,939)	(29,315)	(8,696)	(7,212)	(700,645)	(236,412)
Transaction costs	Note 5	(1,462,775)	-	-	-	-	-	(1,462,775)	-
(Loss) income before income taxes		\$ (4,875,952)	\$ (1,439,288)	\$ (6,544,300)	\$ (3,537,675)	\$ (611,480)	\$ (2,022,191)	\$ (12,031,732)	\$ (6,999,154)
Net (loss) income		\$ (4,875,952)	\$ (1,439,288)	\$ (6,544,300)	\$ (3,537,675)	\$ (611,480)	\$ (2,022,191)	\$ (12,031,732)	\$ (6,999,154)
Segments assets		\$ 1,914,888	\$ 698,669	\$ 22,951,458	\$ 22,071,776	\$ 10,784,078	\$ 11,527,879	\$ 35,650,424	\$ 34,298,324
Segments liabilities		\$ 896,858	\$ 2,706,138	\$ 18,130,616	\$ 9,474,785	\$ 161,172	\$ 266,323	\$ 19,188,646	\$ 12,447,246

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period ended June 30, 2025
(expressed in Canadian dollars)



Unaudited

5. NON-CONTROLLING INTEREST

Tchitengo Mining – Sociedade de Prospecção e Exploração Mineira, Ltda. ("Tchitengo Mining"), is owned 75% by **SOPEMI-Sociedade de Pesquisa e Exploração Mineira, S.A., ("Sopemi Angola")**, a wholly owned subsidiary of Lipari, and 25% by Endiama Mining Limitada, an affiliate of the national diamond mining company of Angola. The summarized information of the above subsidiary and non-controlling interest (NCI) is as follows:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Net loss	289,647	1,336,643	606,628	2,013,430
Other comprehensive loss	378,708	155,890	363,324	(22,217)
Total comprehensive loss	668,355	1,492,533	969,953	1,991,214
Attributable to NCI				
- Net loss	(72,412)	(328,053)	(151,657)	(495,530)
- Other comprehensive loss	(94,677)	(38,973)	(98,315)	5,554
- Total comprehensive loss	(167,089)	(367,026)	(249,971)	(489,976)
Current assets	79,294	122,772	79,294	122,772
Non-current assets	10,644,466	11,471,986	10,644,466	11,471,986
Current liabilities	(3,188,231)	(484,621)	(3,188,231)	(484,621)
Non-current liabilities	(927,144)	(2,106,994)	(927,144)	(2,106,994)
Net assets	6,608,385	9,003,143	6,608,385	9,003,143
Net assets attributable to NCI	1,652,123	2,250,786	1,652,123	2,250,786
Percentage of net assets attributable to NCI	25.00%	25.00%	25.00%	25.00%
Cash flow from operating activities	(78,697)	(909,831)	14,016	(1,393,655)
Cash flow from investing activities	-	(58,018)	(119)	(415,725)
Cash flow from financing activities	-	822,727	-	1,868,443
Effect of exchange rate changes on cash	(5,837)	(1,444)	(5,635)	(966)
Net increase in cash and cash equivalents	(84,534)	(146,566)	8,262	58,097

6. LOSS PER SHARE

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Net loss	\$ (6,268,909)	\$ (2,997,777)	\$ (12,031,732)	\$ (6,999,154)
Adjustment				
Net loss attributable to non-controlling interests	(72,412)	(328,053)	(151,657)	(497,250)
Net loss for the purpose of basic and diluted income per share	\$ (6,196,497)	\$ (2,669,724)	\$ (11,880,075)	\$ (6,501,904)
Denominator				
Weighted average number of common shares outstanding - basic	146,859,936	109,093,859	141,324,514	97,097,438
Weighted average number of common shares outstanding	146,859,936	109,093,859	141,324,514	97,097,438
Basic loss per share	\$ (0.04)	\$ (0.02)	\$ (0.08)	\$ (0.07)
Loss per share	\$ (0.04)	\$ (0.02)	\$ (0.08)	\$ (0.07)

All convertible securities were excluded from the calculation of loss per share as they were anti-dilutive instruments.

7. MATERIAL ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are consistent with the policies disclosed in the annual financial statements as at and for the year ended December 31, 2024, unless otherwise noted below.

8. PRONOUNCEMENTS WITH RECENT AND FUTURE ADOPTION REQUIREMENTS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published and are relevant for the Company's accounting periods beginning on or after January 1, 2026

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited

and which the Company has not early adopted.



Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instruments (effective for annual reporting periods beginning on or after January 1, 2026).

IFRS 18 - Presentation and Disclosure in Financial Statements (effective for annual reporting periods beginning on or after January 1, 2027).

IFRS 19 - Subsidiaries without Public Accountability: Disclosures (effective for annual reporting periods beginning on or after January 1, 2027)

PRONOUNCEMENTS ADOPTED BY THE COMPANY

The following are pronouncements approved by the IASB which have been adopted by the Company and, therefore, have been applied in preparing these condensed consolidated interim financial statements. The adoption of these pronouncements has been duly implemented in the disclosures of the Company's condensed consolidated interim financial statements, resulting in no material changes to the financial results of the Company:

- **IAS 21 – The Effects of Changes in Foreign Exchange Rates (“IAS 21”)** - the IASB amended IAS 21 in August 2023 to clarify when a currency is exchangeable into another currency; and how a company estimates a spot rate when a currency lacks exchangeability. Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on financial statements. The adoption of this standard did not have a significant impact on the Company's financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six-month period ended June 30, 2025
(expressed in Canadian dollars)



Unaudited

9. CASH AND CASH EQUIVALENTS

	June 30, 2025	December 31, 2024
Cash at banks	\$ 289,635	\$ 242,318
Cash equivalents	524,242	7,604
Total cash and cash equivalents	\$ 813,877	\$ 249,922

Cash equivalents include highly liquid investments with a maturity of three months or less, that are readily convertible into a known amount of cash and subject to an insignificant risk of changes in value.

10. INVENTORIES

	June 30, 2025	December 31, 2024
Ore in stockpiles	\$ 243,899	\$ 473,502
Rough diamond inventories	5,427,064	4,521,238
Warehouse - Consumables and spare parts	2,368,501	2,248,329
Total inventories	\$ 8,039,464	\$ 7,243,069

The inventory amount accounted for in direct mining and processing costs (Note 18) for the three and six-month periods ended June 30, 2025 was \$9,972,800 (compared to \$3,584,632 in the three and six-month periods ended June 30, 2024).

As at June 30, 2025, inventories were assessed for NRV. The table below summarizes the NRV adjustments for each class of inventory.

	June 30, 2025	December 31, 2024
(-) Provision to net realizable value - Ore in stockpile	\$ (500,101)	\$ (186,573)
(-) Provision to net realizable value - Diamonds	(1,953,166)	-
(-) Provision to net realizable value - Consumables and Spare Parts	(602,595)	(723,235)
Total inventories provision	\$(3,055,862)	\$ (909,808)

11. RECOVERABLE TAXES

	June 30, 2025	December 31, 2024
State value-add tax credits (ICMS) (a)	\$ 1,859,142	\$ 1,795,116
(-) Provision for state value-add tax credits (ICMS) (b)	(835,427)	(807,802)
Federal value-add tax credits (PIS, COFINS) (c)	882,091	1,023,850
Total recoverable taxes	\$ 1,905,806	\$ 2,011,164

Current	\$ 882,091	\$ 1,023,850
Non-current	\$ 1,023,715	\$ 987,314

a) The Company claims state value-add tax credits ("ICMS credits") in Brazil on purchases of eligible goods and services used in the Company's mining and processing activities. These tax credits can be sold to other companies, usually at a discount or can be used to purchase specified machinery and equipment, subject to approval by the state government authority. The ICMS credits can only be realized in the state where they were generated, which, in the case of the Company, is in the State of Bahia, Brazil.

b) As at June 30, 2025, the Company applied a provision valued at 45% of its ICMS credit assets, which

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)



Unaudited

was based on the Company's historical discount rates required to sell ICMS credits to third party buyers (December 31, 2024: 45%).

- c) The Company claims federal value-add tax credits in Brazil on purchases of consumables and property; plant and equipment used in the Company's mining and processing activities. These taxes are recoverable from the Brazilian tax authorities through various methods, including via cash refund or as a credit against payroll, supplier withholding taxes, or other taxes payable.

12. PROPERTY, PLANT AND EQUIPMENT

	December 31					Effect of currency		June 30,
	2024	Depreciation	Additions	Disposals	Transfers	adjustment	2025	
Cost								
Land	\$ 134,886	\$ -	\$ -	\$ -	\$ -	\$ 9,968	\$ 144,854	
Fixed assets in progress	-	-	128,614	-	-	2,416	131,030	
Furniture and fixtures	299,429	-	4,058	(3,529)	-	19,036	318,994	
Buildings and construction assets	5,630,054	-	-	-	-	385,437	6,015,491	
Machinery, equipment and vehicles	9,048,860	-	102,339	(1,451,886)	124,052	22,229	7,845,594	
Industrial plant	14,665,656	-	-	-	-	1,083,810	15,749,466	
Mining properties (a)	34,050,363	-	3,214,435	-	-	1,251,868	38,516,666	
Total cost	\$ 63,829,248	\$ -	\$ 3,449,446	\$ (1,455,415)	\$ 124,052	\$ 2,774,764	\$ 68,722,095	
Accumulated depreciation and impairment								
Furniture and fixtures	\$ (215,648)	\$ (12,126)	\$ -	\$ 1,599	\$ -	\$ (15,513)	\$ (241,688)	
Buildings and construction assets	(1,816,214)	(118,163)	-	-	-	(135,474)	(2,069,851)	
Machinery, equipment and vehicles	(7,267,717)	(211,913)	-	1,435,911	-	85,912	(5,957,807)	
Industrial plant	(14,477,077)	(34,399)	-	-	-	(1,070,542)	(15,582,018)	
Mining properties (a)	(29,531,937)	(2,494,977)	(1,924,803)	-	-	(943,168)	(34,894,885)	
Total accumulated depreciation	\$ (53,308,593)	\$ (2,871,578)	\$ (1,924,803)	\$ 1,437,510	\$ -	\$ (2,078,785)	\$ (58,746,249)	
Property, plant and equipment, net	\$ 10,520,655	\$ (2,871,578)	\$ 1,524,643	\$ (17,905)	\$ 124,052	\$ 695,979	\$ 9,975,846	

	1 January 2024		Depreciation	Additions	Disposals	Effect of currency adjustment	June 30, 2024		
Cost									
Land	\$	158,915	\$	-	\$	-	\$ (16,033)	\$ 142,882	
Fixed assets in progress		107,521		140,778		-	(248,299)	-	
Furniture and fixtures		315,930		32,311		(3,536)	(32,228)	312,476	
Buildings and construction assets		6,346,831		249,847		-	(643,292)	5,953,386	
Machinery, equipment and vehicles		9,456,167		431,451		-	(943,858)	8,943,760	
Industrial plant		17,162,498		70,137		-	(1,731,460)	15,501,175	
Mining properties (a)		22,848,198		293,792		-	(2,305,069)	20,836,921	
Total cost	\$	56,396,060	\$	-	\$	1,218,315	\$ (3,536)	\$ (5,920,239)	\$ 51,690,600
Accumulated depreciation									
Furniture and fixtures	\$	(230,063)	\$	(11,658)	\$	-	\$ 2,863	\$ 23,278	\$ (215,580)
Buildings and construction assets		(1,879,596)		(114,787)		-	-	189,636	(1,804,747)
Machinery, equipment and vehicles		(8,198,049)		(25,084)		-	-	693,570	(7,529,563)
Industrial plant		(16,901,094)		(0)		-	-	1,838,571	(15,062,523)
Mining properties (a)		(22,758,823)		(13,347)		-	-	2,296,052	(20,476,118)
Total accumulated depreciation	\$	(49,967,625)	\$	(164,877)	\$	-	\$ 2,863	\$ 5,041,107	\$ (45,088,532)
Property, plant and equipment, net	\$	6,428,435	\$	(164,877)	\$	1,218,315	\$ (673)	\$ (879,132)	\$ 6,602,068

- (a) Mining properties include mine development, asset retirement obligation, and production phase stripping costs and accumulated depreciation and depletion for the Brauna diamond mining project.

As at June 30, 2025, the Company had equipment pledged as guarantee to loans of \$41,501 (BRL 154,112) related with Caterpillar Bank S.A. to finance a hydraulic excavator.



The Company conducted an impairment analysis for all of its cost generating units ("CGUs").

The recoverable amount of the Braúna project was determined based on its value in use, calculated by discounting the future cash flows expected from the CGU's continuing use. It was determined that the carrying amount of the CGU of \$11,535,268 exceeded its recoverable amount, resulting in an impairment loss of \$1,963,644 for the three and six-month periods ended June 30, 2025. This impairment loss was fully allocated to the property, plant, and equipment of the CGU and recognized as "Impairment Loss on Non-Financial Assets" in the Statement of operations. Key unobservable assumptions used in determining the future cash flows included budgeted profit and loss projections for the next three years, a zero-growth rate, and a pre-tax discount rate of 16,99%. The unobservable inputs are considered to be level 3 fair value hierarchy inputs. The main input that reduced the recoverability amount is the diamond price constraints occurred during the last year. These assumptions reflect management's assessment of future trends in the relevant industry, based on historical data from both external and internal sources.

13. EXPLORATION AND EVALUATION ASSETS

	January 1 2025	Acquisition of subsidiaries	Effect of currency	June 30 2025
Tchitengo project (a)	\$ 10,814,129	\$ -	\$ (564,067)	\$ 10,250,062
Jaibaras project (b)	1,667,210	-	123,210	1,790,420
Band ore project (c)	-	1,543,101	-	1,543,101
Total exploration and evaluation assets	\$ 12,481,339	\$ 1,543,101	\$ (440,857)	\$ 13,583,583

	January 1 2023	Acquisition of subsidiaries	Effect of currency	December 31, 2024
Tchitengo project (a)	\$ 10,956,026	\$ -	\$ (141,897)	\$ 10,814,129
Jaibaras project (b)	\$ 1,964,205	-	(296,995)	1,667,210
Total exploration and evaluation assets	\$ 12,920,231	\$ -	\$ (438,892)	\$ 12,481,339

a) Tchitengo Project, Angola

The Tchitengo Project is an advanced-stage diamond exploration project. According to the terms of contractual agreements associated with the Tchitengo concession:

- (i) Sopemi Angola is required to provide a minimum of US\$5,500,000 in loan proceeds to Tchitengo Mining to perform reconnaissance, prospecting, research, and assessment activities on the project.
- (ii) Tchitengo Mining shall repay its loans due to third parties and due to Sopemi Angola before any profit distributions can be made from Tchitengo Mining to its shareholders.
- (iii) All diamonds produced from the Tchitengo Project shall be sold by Tchitengo Mining according to the legislation on rough diamond trading in Angola which is based on Presidential Decree No. 175/18 of July 27, 2018, or legislation which replaces it.
- (iv) The Company is responsible for the payment of a US\$500,000 fee to the Angolan government upon the issuance of the mining permit for the Tchitengo Project.
- (v) The Company is responsible for the payment of a US\$500,000 fee payable to the Angolan government upon commencement of commercial production of the Tchitengo Project.
- (vi) The Company shall pay to the former shareholders of Sopemi Angola an aggregate fee of US\$5,000,000 upon the commencement of commercial production for the first mine developed on the Tchitengo Project. The fee shall be payable, at the option of the Company, in either cash or Common Shares.

As of June 30, 2025, the Company has yet to determine the technical feasibility and commercial viability of the Tchitengo Project.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited

b) Jaibaras Project, Brazil

The Jaibaras Project is an exploration-stage diamond mining project located in the state of Pará, northern Brazil. The Company is responsible for the payment of US\$ 35,000 to the former owners of the Jaibaras Project within 30 days following the decision to proceed with the preparation of a preliminary economic assessment on the Jaibaras Project. The Company must also grant the former owners a 1% gross sales royalty on future diamond sales from the Jaibaras Project. As of June 30, 2025, the Company has yet to determine the technical feasibility and commercial viability of the Jaibaras Project.

c) Band-Ore Project, Canada

The Band-Ore Project is 100% owned by the Company, located approximately 65 km west of Thunder Bay, Ontario. The project is comprised of 109 MLAS cell claims, 16 patented claims and 1 mining lease claim. The Band-Ore Project is subject to a 1% net smelter return ("NSR") royalty on all but 7 MLAS cell claims (#180514, 252727, 252728, 271780, 329655, 341514, 341515), which are subject to 1.5% NSR royalty.

On May 20, 2024 (as amended on July 10, 2024), the Company entered into an option agreement (the "Delta Agreement") with Delta Resources Limited ("Delta"). The Delta Agreement gives Delta the option to earn-in a 100% interest in the Band-Ore Project for: (1) aggregate consideration of \$2,000,000 (to be satisfied through cash payments totalling \$1.3 million over a period of five years) and \$700,000 worth of common shares in the capital of Delta over a period of five years (with the value of the shares to be based on the 20-day volume weighted average price for the 20 days preceding their issuance, subject to a minimum price of \$0.075 per share); and (2) the reimbursement of the tax payments with respect to the 16 patented mining claims and the one leased mining claim. If the option is exercised the Company will retain a 2% NSR royalty, of which 1% of the NSR can be purchased by Delta in the amount of \$3,000,000 indexed (escalated) based on the Canada Consumer Price Index (CPI) from the effective date to the purchase date. Delta retains a right of first refusal on the sale of the remaining 1% NSR. Following the 100% vesting of the option, if Delta defines a National Instrument 43-101 mineral resource on the property after earn-in, the Company will be entitled to a bonus of \$500,000 for an estimate of 500,000 gold ounces contained up to 1,000,000 ounces and a bonus of \$1,000,000 for an estimate of greater than 1,000,000 contained gold ounces.

As of the date hereof, the Company has received \$100,000 in cash payments from Delta in accordance with the Delta Agreement. In June 2025, the Company recorded the \$100,000 of cash payments as income on the statement of operations when Delta gave notice to terminate their Option Agreement.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited



14. LOANS, BORROWINGS AND CONVERTIBLE DEBENTURES PAYABLE

14.1. Loans:

Type of Financing	Interest rate range	Currency Denomination	Guarantees	June 30, 2025	December 31, 2024
Related party loans (a)					
Loans due to Aftergut N Zonen	Nil%	US Dollar	No guarantees	\$ 8,167	\$ 8,630
Total related party loans				\$ 8,167	\$ 8,630
Third party loans					
Unsecured Loan Agreements	12%	US Dollar	No guarantees	241,954	-
Others (b)	14.97%	Brazilian Real	Secured	41,501	148,463
Total third party loans				\$ 283,455	\$ 148,463
Total Loans and borrowings payable				\$ 291,622	\$ 157,093
Current				291,622	157,093

Notes:

- The relationships between the Company and these related parties are disclosed in Note 22.
- On December 16, 2024, Lipari Mineração Ltda. ("Lipari Brazil") entered into a financing agreement with Caterpillar Bank S.A. to finance a hydraulic excavator. The financing amount was \$156,597 (BRL 638,806) to be paid in 8 installments and bearing interest of 14.97% per annum.

For the period ended June 30, 2025, and the year ended December 31, 2024, the Company's loans and borrowings payable did not have contractual covenants. Maturity dates and commitments for these loans and borrowings payable at June 30, 2025 are disclosed in Note 23.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited



14.2. Reconciliation of liabilities arising from financing activities

	December 31, 2024	Cash flow			Non-Cash Changes					June 30, 2025
		Debt proceeds	Debt principal repayments	Interest paid	Acquisition of subsidiaries	Interest expense	Foreign exchange (gain) loss	Other non-cash changes	Currency translation adjustment	
Loans and borrowings payable	\$ 157,093	\$ 747,431	\$ (807,280)	\$ (33,549)	\$ 223,100	\$ 42,340	\$ (64,702)	\$ -	\$ 27,189	\$ 291,622

	December 31, 2023	Debt proceeds	Debt principal repayments	Interest paid	Interest expense	Transfer/ Reclass	Foreign exchange (gain) loss	Other non-cash changes	Currency translation adjustment	December 30, 2024
Loans and borrowings payable	\$ 4,857,095	\$ 156,597	\$ (861,145)	\$ (217,753)	\$ 126,356	\$ 498,205	\$ 103,476	\$ (4,440,806)	\$ (64,932)	\$ 157,093
Convertible debentures	7,013,454	-	-	-	117,522	-	130,203	(7,261,180)	-	-
	\$ 11,870,549	\$ 156,597	\$ (861,145)	\$ (217,753)	\$ 243,878	\$ 498,205	\$ 233,679	\$ (11,701,986)	\$ (64,932)	\$ 157,093

Other non-cash changes:

- a) On March 1, 2024, BH Diamonds ME DMCC ("BH Diamonds") exercised its right to convert the principal amount of its convertible debenture of \$6,720,430 (US\$5,000,000) into share capital. A total of 5,000,000 LDM Shares were issued to BH Diamonds. Also, at the same date, the Company settled \$4,014,944 (US\$2,960,000) in interest free related party loans through the issuance of 2,960,000 LDM Shares.

Dates	Shareholder	Description	Shares	Amount
March 1, 2024	BH Diamonds	Equity issuance in settlement of related party loans payable (b)	2,960,000	4,014,944
March 1, 2024	BH Diamonds	Equity issuance in settlement of related party loans payable (b)	5,000,000	6,720,430
			7,960,000	\$ 10,735,374

- b) On December 01, 2024, Mineração Montes Claros Ltda. ("MMC"), Chapada Brasil Mineração Ltda. ("CBM") and LDM entered into an agreement where the debt owed by MMC to CBM of \$304,218 (BRL 1,236,837) was assigned to and settled by LDM in exchange for 203,984 units (each unit comprised of one LML Share and one LML warrant at the completion of the transaction described into Note 2). Each LML Warrant entitles the holder to acquire one Common Share at a price of \$1.55 for a period of 24 months following the date of issuance subject to adjustment in certain events, the balances are accounted for as other liabilities hence this was converted to share capital after financing operation described in Note 2.
- c) On December 01, 2024, the related parties MMC, Kenneth Johnson and the Company entered into an agreement where the debt owed by MMC to Kenneth Johnson of \$114,659 (BRL 466,230) was assigned to 76,892 units of LML. Each unit was comprised of one LML Share and LML Warrant, which were granted at the completion of the transaction described into note 2.
- d) On December 01, 2024, BH Diamonds exercised its right to convert the convertible debentures interest amount of \$540,748 (US\$ 386,111 as at the conversion date) into LDM Shares. A total of 347,500 LDM Shares were issued to BH Diamonds, after deducting taxes related to this transaction.



15. PROVISION FOR DECOMMISSIONING AND RESTORATION

	January 1, 2025	Additions/ (Reversals)	Accretion	Currency translation adjustment	June 30, 2025
Provision for decommissioning and restoration	654,012	42,632	1,811	49,224	747,679
Non-current	654,012				747,679

	December 31, 2023	Additions/ (Reversals)	Accretion	Currency translation adjustment	December 31, 2024
Provision for decommissioning and restoration	939,956	40,699	(193,917)	(132,726)	654,012
Non-current	939,956				654,012

In addition to diamonds, the Braúna mine is licensed to produce construction aggregates from the granodiorite stockpile that was formed during the life of its diamond mining operations. The provision for decommissioning and restoration includes the costs estimated to close the operating facilities and reclaim land that has been disturbed as a result of mining activity. In accordance with the Braúna mine closure plan, the restoration activities are planned to be conducted between 2026 and 2074.

As of June 30, 2025, the provision for decommissioning and restoration was determined with (i) the estimated future cash flows discounted at a 10.791% pre-tax discount rate and (ii) the future expected cost estimates updated for inflation at a 3.5% per annum consumer price index (IPCA) (December 31, 2024 – 11.75% per annum discount rate and 4% per annum inflation rate).

The Company expects to spend approximately BRL10,674,204 (\$2,664,088) (undiscounted) on decommissioning and reclamation activities between 2026 and 2074 (December 31, 2024 – BRL10,674,204 (\$2,480,758), between 2026 and 2074).

16. PROVISION FOR LEGAL CLAIMS

The Company is a defendant in several labor, tax and civil claims. For its outstanding matters, management, in conjunction with its legal counsel, assesses the estimated value at risk and the Company's probability of loss. A provision is recorded for cases in which the Company has determined the probability of loss as more likely than not, and the amount can be reasonably estimated. In the event that management's estimate of the future resolution of these matters' changes, the Company will recognize the effects of the changes in its financial statements on the date such changes occur.

As of June 30, 2025, the Company has recognized a provision of \$3,098,275 (\$2,668,945 as of December 31, 2024), representing management's best estimate of expenditures required to settle present obligations, as noted in the table below. The ultimate outcome or actual cost of settlement may vary from management estimates due to the inherent uncertainty regarding the Company's estimates.

	December 31, 2024	Additions	Reversals/ Transfers	Payments	Currency translation adjustment	June 30, 2025
Labor litigation	\$ 217,533	\$ -	\$ (56,053)	\$ -	\$ 14,974	\$ 176,454
Tax litigation (a)	2,451,412	64,319	-	-	182,391	\$ 2,698,122
Environmental litigation (b)	-	219,573	-	-	4,126	\$ 223,699
Total provisions for legal claims	\$ 2,668,945	\$ 283,892	\$ (56,053)	\$ -	\$ 201,491	\$ 3,098,275
Current	217,533					400,153
Non-current	\$ 2,451,412					\$ 2,698,122

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited



	December 31, 2023	Additions	Reversals/ Transfers	Payments	Currency translation adjustment	December 31, 2024
Labor litigation	\$ 203,713	\$ 50,357	\$ -	\$ -	\$ (36,537)	\$ 217,533
Tax litigation (a)	2,756,978	126,179	(2,564)	-	(429,181)	2,451,412
Total provisions for legal claims	\$ 2,960,691	\$ 176,536	\$ (2,564)	\$ -	\$ (465,718)	\$ 2,668,945
	-					
Current	203,713					217,533
Non-current	2,756,978					2,451,412

a) Cases of tax litigation with an assessed probable risk of loss

In December 2022, Lipari Brazil received a citation from the State Tax Authority of Bahia, Brazil alleging that certain purchases made between 2018 and 2019 failed to meet the required criteria to qualify them for exemption from state-value add taxes (ICMS - *Imposto sobre Circulação de Mercadorias e Serviços*). More specifically, the tax authority concluded the purchases in question did not meet the criteria to be characterized as used in Lipari Brazil's production process. On March 28, 2024, Lipari Brazil received an unfavorable decision from the 1st administrative court of appeals which ordered Lipari Brazil to pay \$2,690,000 (R\$10,152,000) in ICMS taxes due. Lipari Brazil submitted an appeal in April 2024 under the 2nd administrative courts of appeal, which remains in process as at June 30, 2025. The process can advance to a 3rd level of administrative courts of appeal, and if a favourable result is not obtained by Lipari Brazil, the process will advance to a judicial process. This case was recorded in the Company's books as a non-current liability.

b) Environmental litigation

During six-month period ended June 30, 2025 the Company signed an environmental compensation agreement related to the Braúna Project with the State of Bahia. This obligation amounts to approximately \$219,573 (BRL 896,292) and is for the purpose of supporting the maintenance and/or implementation of a conservation unit. The BRL amount is subject to monetary update based on the IGP-M inflation and is to be executed over a period of 36 months after the acceptance of the full terms by the State of Bahia government. This obligation was recorded in the Company's books as a non-current liability.

c) Cases of tax litigation with an assessed possible risk of loss

In September 2022, Lipari Brazil received a citation from the Federal Tax Authority in Brazil alleging that Lipari Brazil should have paid an additional social security and labor risks management tax ("GILRAT", or Gilrat INSS - *Contribuição do Grau de Incidência de Incapacidade Laborativa decorrente dos Riscos Ambientais do Trabalho*) to some of its employees who were exposed to high noise levels at the Braúna mine during 2018, 2019 and 2020. Throughout the life of Braúna's mining operations, the Company has implemented a series of occupational health and safety measures to mitigate exposures to adverse health impacts, including the exposure to noise in question in this tax assessment. Lipari Brazil understands that its existing safety measures provide an exemption from the GILRAT tax assessed and, therefore, in October 2022 Lipari Brazil contested this citation under the 1st administrative courts of appeal. According to Lipari Brazil's assessment, this claim has a possible risk of loss and its value at risk is estimated to be R\$1,002,000 (approximately \$265,000). As at June 30, 2025, no provision has been recorded for this citation (December 31, 2024: \$nil).

In January 2023, Lipari Brazil received a citation from the Federal Tax Authority in Brazil claiming that Lipari Brazil used invalid tax credits in 2018 to offset Federal value-add tax obligations payable (PIS – *Programa de Integração Social*, and COFINS – *Contribuição para o Financiamento da Seguridade Social*). According to the tax authority, the tax credits used were invalid as they did not meet a required criteria to be sourced from purchases of goods and services used in the production process. Lipari Brazil contested the citation in March 2023 under the 1st administrative court of appeals. According to Lipari Brazil's assessment, this claim has a possible risk of loss and its value at risk is estimated to be R\$3,689,000 (approximately \$977,000). As at June 30, 2025, no provision has been recorded for this citation (December 31, 2024: \$nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited

17. EQUITY



Share capital

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares without par value. All issued Common Shares are fully paid and have no par value. No preferred shares have been issued since the Company's inception. Changes in Common Shares for the three and six-month periods ended June 30, 2025, and the year ended December 31, 2024, are as follows:

	Number of common shares	Share capital (\$)
Balance as at January 1, 2025	134,014,919	97,435,820
Consolidation - shares issued for RTO Transaction (Note 2)	4,818,579	2,352,041
Private placement - Shares issued, net of share issuance costs	6,194,617	4,004,686
Private placement - Funds previously received in Angola	1,003,017	648,426
Private placement - Conversion of debts with suppliers	206,161	126,171
Private placement - Conversion of loan debts with related parties concurrent to the RTO	622,643	402,523
Private placement - Warrants issued	-	(994,337)
Private placement - Cash retained from brokers	-	(407,592)
Balance as at June 30, 2025	146,859,936	\$ 103,567,738

	Number of common shares	Share capital (\$)
Balance as at December 31, 2023	71,420,506	\$ 59,060,307
Equity issuance from related party equity financings	44,178,440	27,173,064
Equity issuance in settlement of related party loans payable	18,415,973	11,202,449
Balance as at December 31, 2024	134,014,919	\$ 97,435,820

As a result of the RTO, as disclosed in Note 2, all the LDM Shares held by LDM shareholders were exchanged, transferred, and assigned, on the basis of 2.21678892 post-Consolidation Common Shares for every LDM Share (the "Exchange"). As a result of the Consolidation and Exchange, the Company issued 134,014,919 Common Shares. All information in these condensed consolidated interim financial statements regarding prior periods has been restated to be presented on a post-Share Consolidation basis. Given the effect of the RTO 12,845,017 Common Shares were issued.

The equity issuances in settlement of related party loans payables are disclosed in Note 14.

Warrants

Upon the closing of the RTO the 3,620,750 Subscription Receipts issued pursuant to the Offering were automatically converted, without further consideration, into 8,026,438 Lipari Warrants, applying the Exchange Ratio to the LDM Shares.

The following table shows the changes in warrants:

	Number of warrants	Exercise price
Balance as at January 1, 2024	-	\$ -
Warrants issued on RTO Transaction	8,026,438	0.70
Outstanding and exercisable on June 30, 2025	8,026,438	\$ 0.70

The following table summarizes information about the warrants outstanding and exercisable:

Expiry date	Number of warrants outstanding	Weighted average exercise price	Remaining contractual average life (years)
March 19, 2027	8,026,438	0.12	1.72
	8,026,438	\$ 0.12	1.72

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited

The warrants were valued on the date of grant using the following assumptions:

	June 30, 2025	December 31, 2024
Weighted average price at the grant date	0.49	-
Rate of return of dividends	-	-
Expected average volatility	64.16%	-
Risk-free average interest rate	2.51	-
Expected average life	1.72	-
Weighted average exercise price	0.12	-

Stock options and RSUs

The Board of Directors has the authority and discretion to grant Common Share purchase options ("Options"), RSUs and deferred share units (collectively, the "Awards") within the limits identified in the Omnibus Plan.

The number of Common Shares reserved for issuance pursuant to the Omnibus Plan shall not exceed 10% of the issued and outstanding Common Shares from time to time. All options are settled by the issuance of Common Shares. The following table summarizes information about the Options outstanding and exercisable:

	Stock options #	Weighted average exercise price CAD/share
Opening balance - stock options at date of the RTO	1,845,000	\$ 0.098
Pro forma RTO transaction		
Share consolidation factor	10:1	10:1
Stock options outstanding at June 30, 2025	184,500	\$ 0.98

The following table summarizes information about the Options outstanding and exercisable:

Stock options #	Expected life	Exercise price CAD/share	Replacement option grant date fair value
17,500	0.11	2.00	0
12,000	0.11	2.00	0
145,000	0.47	0.70	11,410
10,000	0.67	2.00	25
184,500	0.34	0.98	11,435

Following completion of the RTO, the Board of Directors granted 2,402,598 RSUs to members of management, directors and consultants. The RSUs vest on the first anniversary of their grant date, on March 19, 2026.

The table below reflects the number of RSUs outstanding, the grant date fair value, and the exercise price of stock options outstanding at June 30, 2025.

	June 30, 2025		
Expiry date	Number of RSUs outstanding	Fair Value	Number of exercisable RSUs
March 19, 2026	2,402,598	213,481	-
	2,402,598	\$ 213,481	-

A total of \$59,658 was recognized as expenses related to the RSU during the six-month period ended June 30, 2025.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited



18. PRODUCTION COSTS

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Direct mining and processing costs	\$ (4,775,201)	\$ -	\$ (9,972,800)	\$ (3,584,632)
Changes in inventory provisions to net realizable value	(1,625,555)	-	(2,036,007)	834,415
Royalty expense and CFEM taxes ^(a)	(119,304)	-	(249,058)	(5,827)
Other costs	(9,908)	-	(29,749)	(10,231)
Total production costs	\$ (6,529,968)	\$ -	\$ (12,287,614)	\$ (2,766,275)

- a) *CFEM – Compensação Financeira pela Exploração Mineral* taxes are mining royalty fees levied by Brazil's Federal government as financial compensation for mineral production. The Company's rough diamond sales are subject to CFEM taxes at a rate of 2% on gross revenue from the Braúna mine.

19. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Salaries and consulting fees	\$ (230,607)	\$ (549,927)	\$ (605,632)	\$ (526,199)
Consulting	-	(704,074)	(138,485)	(1,061,155)
Accounting and Legal	(519,207)	(221,880)	(2,391,036)	(867,107)
Office and administration	(108,795)	(160,254)	(290,408)	(389,241)
Other general and administrative expenses	(314,988)	(174,703)	(659,398)	(285,139)
Total general and administrative expenses	\$ (1,173,597)	\$ (1,810,838)	\$ (4,084,959)	\$ (3,128,841)

20. EXPLORATION AND EVALUATION COSTS

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Salaries and consulting fees	\$ (177,361)	\$ (524,171)	\$ (266,604)	\$ (990,047)
Accounting and Legal	39,226	(663,439)	(23,562)	(691,253)
Office and administration	(59,156)	(97,563)	(142,403)	(102,701)
Other general and administrative E&E expenses	(56,715)	(5,225)	(124,711)	(167,062)
Total exploration and evaluation	\$ (254,006)	\$ (1,290,398)	\$ (557,280)	\$ (1,951,063)

21. FINANCE INCOME AND EXPENSES

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Interest income	\$ 1,362	\$ 800	\$ 4,694	\$ 1,429
Interest expense	(329,619)	-	(422,049)	(184,080)
Accretion of interest	(9,492)	197,242	(11,464)	23,689
Other finance costs	(224,102)	(41,327)	(271,826)	(77,450)
Total finance income (expenses)	\$ (561,851)	\$ 156,715	\$ (700,645)	\$ (236,412)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**For the six-month period ended June 30, 2025***(expressed in Canadian dollars)***Unaudited****22. RELATED PARTY TRANSACTIONS**

- **Aftergut N & Zonen BVBA** ("Aftergut") is a diamond trading company based in Antwerp, Belgium. Aftergut holds the rights and obligations to the exclusive offtake agreement for rough diamonds produced from the Braúna mine. As at June 30, 2025, Aftergut's ultimate beneficial owners own an aggregate 40.45% of the issued and outstanding Common Shares (44.3% of LDM Shares on December 31, 2024), with 29.51% (32.3% on December 31, 2024) held indirectly through its affiliate BH Diamonds, 9.86% (10.8% on December 31, 2024) held indirectly through its affiliate Lipari Holding BV and 1.08% (1.2% on December 31, 2024) held directly by Aftergut.
- **Lipari Holding BV** is an investment holding company based in Amsterdam, Netherlands. As at June 30, 2025 Lipari Holding BV owns approximately 9.86% of the issued and outstanding Common Shares (10.8% of LDM Shares on December 31, 2024). Additionally, Lipari Holding BV is a subsidiary of and is controlled by Aftergut.
- **Fersfield Limited** is an investment holding company based in Hong Kong, China. As at June 30, 2025, its ultimate beneficial owners own an aggregate of 34.96% (38.99% in December 31, 2024) the issued and outstanding Common Shares through Fersfield GB (as defined herein).
- **Fersfield Limited** ("Fersfield GB") is an investment holding company based in Gibraltar and as at June 30, 2025 owns an aggregate 34.96% of the issued and outstanding Common Shares (38.99% of LDM Shares on December 31, 2024).
- **BH Diamonds ME DMCC** is a diamond trading company, based in Dubai, United Arab Emirates. BH Diamonds is controlled by the same ultimate beneficial owner who controls Aftergut. BH Diamonds was appointed by Aftergut to be the buyer of the Company's rough diamond production in the periods presented. As at June 30, 2025, BH Diamonds owns approximately 29.5% of the issued and outstanding Common Shares (32.3% on December 31, 2024).
- **Endiama Mining Limitada** is an affiliate of Angola's national diamond company and exclusive concessionary of diamond mining rights of Angola, which owns 25% of the issued and outstanding shares of the Company's subsidiary Tchitengo Mining.
- **Executive officer lenders** included the Company's president.
- **Key management personnel** included the Company's directors, officers and president.

Transactions with these parties are disclosed below.

a. Assets with related parties

As at June 30, 2025 and December 31, 2024, the Company's receivables from related parties were as follows:

	June 30, 2025	December 31, 2024
Loans receivable from Endiama Mining LDA	4,709	\$ 4,969
Total related party receivables	\$ 4,709	\$ 4,969
Non-current	\$ 4,709	\$ 4,969

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited

b. Liabilities with related parties



As at June 30, 2025 and December 31, 2024, the Company's liabilities with related parties were as follows:

	June 30, 2025	December 31, 2024
Trade accounts payable	\$ 343,701	\$ 327,259
Shareholders advances - BH Diamonds ME DMCC	6,743,551	650,782
Loans payable - Aftergut N & Zonen BVBA	8,167	8,630
Other liabilities - Aftergut N. & Zonem	74,242	69,133
Other liabilities - Somipa	-	538,524
Other liabilities - Chapada Brasil Mineracao Ltda	-	293,533
Other liabilities - Kenneth Johnson	-	110,648
Total related party liabilities	\$ 7,169,661	\$ 1,998,509

In accordance with the terms of the Company's off-take agreement with Aftergut, BH Diamonds has the obligation to purchase all diamond production from the Company at a US\$ denominated price determined based on an appraisal from an independent third-party diamond valuation specialist who determines both (i) the quality of the rough diamonds in the parcel and (ii) the estimated market value of the rough diamonds in the parcel. Aftergut has appointed BH Diamonds, one of its affiliate companies, to purchase the diamond production from the Company. The Company's diamond production from the Braúna mine is subject to a 1.0% gross sales royalty due to Osisko Royalty Corp. and a 0.5% royalty on gross sales less selling and transport costs, payable to Vox Royalty Corp. ("Vox").

The Company recognizes revenue upon fulfillment of its performance obligation in the off-take agreement, which occurs upon delivery of the goods sold to the location specified by Aftergut.

c. Income (loss) transactions with related parties

For the three and six-month periods ended June 30, 2025 and 2024, the income statement transactions with related parties are as follows:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Net revenue from sales to BH Diamonds ME DMCC	\$ 4,550,158	\$ -	\$ 9,567,250	\$ 1,798,755
Interest expense on loans due to related parties ⁽¹⁾	-	(13,265)	-	(111,010)
Interest expense on convertible debentures due to related parties ⁽²⁾	-	-	-	(117,522)
Key management personnel compensation ⁽³⁾				
Compensation and short-term benefits	(396,235)	(454,779)	(768,269)	(980,972)
Other short-term benefits	(17,104)	-	(34,167)	-
Bonuses	(9,050)	-	(9,050)	(17,408)
Total net income from related party transactions	\$ 4,127,769	\$ (468,044)	\$ 8,755,764	\$ 571,843

Notes:

- 1) Includes interest expense recognized on loans payable to related parties, as detailed in Note 14.
- 2) Includes interest expense recognized on convertible debentures payable to related parties, as detailed in Note 14.
- 3) Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and, from an accounting perspective, non-executive members of the Board of Directors and corporate officers, and the companies controlled by these individuals.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The management of operations with financial instruments held by the Company is carried out through

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)



Unaudited

operating strategies and internal controls, aimed at assuring liquidity, profitability and security. The control policy consists of continuous monitoring of the rates engaged versus those in force in the market. The market values of financial assets and liabilities do not differ significantly from their carrying amounts, to the extent they were agreed upon, and are recorded at rates and conditions practiced in the market for operations of a similar nature, risk and term.

Fair value measurement

The Company categorizes each of its fair value measurements in accordance with a fair value hierarchy. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

As at June 30, 2025 and December 31, 2024, the carrying and fair value amounts of the Company's financial instruments are approximately the same because of the short-term nature of these instruments.

a. Financial risk factors

The Company's activities expose it to a variety of financial instrument risks, including but not limited to liquidity risk, market risk, and credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing this risk is to ensure sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage.

For the three and six-month periods ended June 30, 2025, the Company incurred a net loss of \$12,031,732 (\$6,999,154 net loss for the three and six-month periods ended June 30, 2024). As of June 30, 2025, the Company had a working capital deficit of \$ 4,907,969 (compared to a working capital surplus of \$467,847 as of December 31, 2024), cash and cash equivalents of \$813,877 (compared to \$249,922 as of December 31, 2024), loans and borrowings payable of \$ 291,622 (compared to \$157,093 as of December 31, 2024), and a retained deficit of \$83,053,200 (compared to \$71,173,125 as of December 31, 2024).

The Company mitigates its liquidity risk through the use of an annual budgeting process each year, a continuous detailed cash forecasting process, and a process of monitoring key performance indicators to early assess whether supplemental capital requirements may be required. Future financing requirements, if any, will depend on a number of factors that are difficult to predict and are often beyond the control of the Company. For more details see Note 1. The main factor is the realized sales price for rough diamonds produced from the Braúna mine and the operating and capital costs of same. Other key factors include the Company's ability to continue to renew its related party and third-party loan and financing facilities.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited

The following table summarizes the remaining undiscounted contractual maturities of the Company's financial liabilities:



As at June 30, 2025	Less than 1 year	1 - 3 years	Total
Financial Liabilities			
Trade accounts payable	\$ 6,614,853	\$ -	\$ 6,614,853
Personnel costs payable	932,796	-	932,796
Loans and borrowings payable			
Loans due to related parties - Principal	8,167	-	8,167
Loans due to third parties - Principal	283,455	-	283,455
Other liabilities	117,125	74,242	191,367
Total financial liabilities	\$ 7,956,396	\$ 74,242	\$ 8,030,638

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two main types of risk: currency risk and interest rate risk. Financial instruments affected by market risk include accounts receivable, cash and cash equivalents, short-term investments, and loans and borrowings payable.

i. Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates which impact cash flows on transactions denominated in a currency other than the functional currency of the Company. Financial instruments and certain other liabilities that impact the Company's net earnings due to currency fluctuations include:

- (i) United States dollar (US\$) denominated cash and cash equivalents, trade payables, loans and borrowings payable, convertible debentures, other receivables and other liabilities;
- (ii) Euro (EUR) denominated cash and cash equivalents, trade payables,
- (iii) Angolan Kwanza (AOA) denominated cash and trade payables,
- (iv) South African Rand (ZAR) denominated trade payables, and
- (v) Brazilian Reais denominated other liabilities.

The Company manages, in part, its currency risk by monitoring the extent of its foreign exchange risk exposure and performing commercial sales denominated in US dollars.

a) Assets and liabilities with foreign exchange exposure

The exposure of the Company's financial assets and liabilities to currency risk is as follows, as at June 30, 2025 and December 31, 2024:

Financial instruments with foreign exchange exposure	Asset/ Liability	Currency Denomination	June 30, 2025 (in CAD)	December 31, 2024 (in CAD)
Cash and cash equivalents	Asset	USD	\$ 250,915	\$ 68,931
Cash and cash equivalents	Asset	EUR	-	142
Trade payables to third parties	Liability	USD	(133,784)	(414,855)
Trade payables to third parties	Liability	EUR	-	(42,116)
Trade payables to third parties	Liability	ZAR	(77,489)	(105,669)
Loans due to related parties	Liability	USD	(8,052)	(8,630)
Other Liabilities	Liability	USD	-	(1,403,746)
Other Liabilities	Liability	BRL	(74,242)	(69,133)
Net financial liabilities with foreign exchange exposure			\$ (42,650)	\$ (1,975,076)

The table below summarizes a sensitivity analysis for significant unsettled currency risk exposure with respect to the Company's financial instruments as at June 30, 2025 and December 31, 2024 with all other variables held constant. It shows how income before taxes would have been affected by changes in the relevant risk variables that were reasonably possible at that date.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited



Sensitivity analysis	Currency Variable	% Change increase/(decrease) to exchange rate basis	Gain/(loss) from change to the June 30, 2024 exchange rate basis	Gain/(loss) from change to the December 31, 2024 exchange rate basis
Exchange rate basis			CAD 0.7342 / USD	CAD 0.6951 / USD
Scenario I - CAD per US Dollar	USD	10%	\$ (35,705)	\$ 172,378
Scenario II - CAD per US Dollar	USD	-10%	35,705	(172,378)
			CAD 0.9623 / EUR	CAD 0.6696 / EUR
Scenario I - CAD per EURO	EUR	10%	\$ -	\$ 3,842
Scenario II - CAD per EURO	EUR	-10%	-	(3,842)
			CAD 0.2496 / BRL	CAD 0.2324 / BRL
Scenario I - CAD per BRL	BRL	10%	\$ (6,749)	\$ 6,285
Scenario II - CAD per BRL	BRL	-10%	6,749	(6,285)
			CAD 17.0911 / ZAR	CAD 13.0548 / ZAR
Scenario I - CAD per ZAR	ZAR	10%	\$ (7,044)	\$ 9,606
Scenario II - CAD per ZAR	ZAR	-10%	7,044	(9,606)

ii. Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Company may potentially be exposed to interest rate risk on its loans and borrowings payable and cash equivalents. The Company managed its risk by entering into agreements with fixed interest rates on all of its debt with interest rates ranging from 0% to 14.97% per annum.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, including deposits and other financial instruments with banks and financial institutions.

The Company's exposure to credit risk at the reporting dates was associated with its financial assets, including cash and cash equivalents and trade accounts receivable, as follows:

	June 30, 2025	December 31, 2024
Cash and cash equivalents	\$ 813,877	\$ 249,922
Loans receivable	4,709	64,969
Total financial assets	\$ 818,586	\$ 314,891

Excessive risk concentration

The Company has a significant concentration of credit risk as 100% of its rough diamond sales in the three and six-month periods ended June 30, 2025 were made to its related party customer as disclosed in Note 22 (100% for the year ended December 31, 2024). Settlement terms are in accordance with the off-take agreement with Aftergut as detailed in Note 22.

The Company manages its credit risk on cash and cash equivalents by (i) using financial institutions with a strong reputation and credit rating and manages its credit risk on trade accounts receivable (ii) by receiving payments in advance and executing its commercial sales to a related party customer (Note 22) who holds a strong reputation within the industry and a good credit risk history.

24. CAPITAL MANAGEMENT

The Company's objectives in managing its capital are (i) to safeguard its ability to continue as a going concern, and (ii) to maintain financial liquidity and flexibility in order to preserve its ability to meet

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited

financial obligations and to sustain the future development of the business.



The Company's primary source of capital is derived from equity issuances and related party loans. Capital consists of equity attributable to common shareholders.

The Company has no externally imposed capital requirements and manages its capital structure in accordance with its strategic objectives and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new Common Shares in the form of private placements, public offerings and/or convertible debt instruments.

The Company attempts to set the amount of capital in proportion to the risks. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

As at June 30, 2025, the Company's capital structure is comprised of \$291,622 (compared to \$157,093 as of December 31, 2024) in loans and borrowings payable, a retained deficit of \$83,053,200 (compared to \$71,173,125 as of December 31, 2024), and a total shareholders' equity surplus of \$16,461,778 (\$21,851,078 as of December 31, 2024).

25. COMMITMENT AND CONTINGENCIES

a) Exploration contingencies

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

b) Royalties and other liabilities

The Company's diamond production from the Braúna mine is subject to a 1.0% gross sales royalty due to Osisko Gold Royalties Ltd. and a 0.5% royalty on gross sales less selling and transport costs, payable to Vox Royalty Corp. The Company is also subject to other royalties and liabilities as disclosed into Note 13.

c) Off-take agreements

Aftergut holds the rights and obligations to the exclusive offtake agreement for rough diamonds produced from the Braúna mine and appointed BH Diamonds to be the buyer of the Company's rough diamond production in the periods presented. According to this off-take agreement the gross sales proceeds from the Braúna mine are subject to a 5% discount to the agreed sales price.

d) Legal claims

The Company is party to various claims and proceedings arising in the normal course of business other than what has been disclosed in Note 16. Management does not expect these matters to have a material adverse effect on the Company's results of operations or financial position.

See Notes 13 and 16 for additional commitments.

The Company has entered into employment agreements with certain executives that provide for termination payments under specific circumstances. These agreements include provisions for payments upon termination without cause and in connection with a change of control of the Company.

e) Termination payments

Termination Without Cause:

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended June 30, 2025

(expressed in Canadian dollars)

Unaudited

In the event of termination by the Company without cause, eligible officers and consultants are entitled to severance payments equivalent to a predetermined number of months of base salary and, in some cases, employee benefits over the severance period. As of June 30, 2025, the estimated maximum obligation under these arrangements is approximately \$1,275,000 (December 31, 2024 - \$1,275,000).

Termination Due to Change of Control:

In the event of a termination following a change of control, the chief executive officer is entitled to enhanced severance payments. As of June 30, 2025, the estimated maximum obligation under these arrangements in the event of a qualifying change of control followed by termination is approximately \$520,000 (December 31, 2024 - \$520,000).

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