

LITHIUM SOUTH DEVELOPMENT CORPORATION
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2026

This Management Discussion and Analysis (“MD&A”) of Lithium South Development Corporation (“LIS” or the “Company”) provides analysis of the Company’s unaudited condensed consolidated financial results for the three months ended March 31, 2026 and should be read with the audited consolidated financial results for the year ended December 31, 2025 and the related notes thereto, prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are expressed in Canadian dollars, unless otherwise stated. All documents previously mentioned are available on SEDAR+ at www.sedarplus.ca. This discussion is based on information available as at May 29, 2026.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and MD&A, is complete and reliable.

Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements. Additional information about the Company is available at www.sedarplus.ca.

Description of Business

The Company was incorporated in the Province of Ontario on June 20, 1995. Effective January 15, 2007, the Company was granted a Certificate of Continuation under the Business Corporation Act from the jurisdiction of Ontario into British Columbia. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties. The common shares of the Company are listed on the TSX Venture Exchange (“TSX-V”) and trade under the symbol NGZ and during year ended December 31, 2020, the Company changed its name from NRG Metals Inc. to Lithium South Development Corporation and trade under the symbol LIS. To date, the Company has not generated significant revenues from its operations which are considered to be in the exploration stage.

Subsequent to year end, the Company sold its subsidiary which comprised all of the Company’s operations and will be completing a share redemption. The shareholders of the Company have approved a plan to payout the proceeds from the sale of its subsidiary, which comprise substantially the majority of the net assets of the Company, as part of the share redemption process which will result in each shareholder receiving \$0.505 per common share, and as a result the Company becoming a private company.

As management has determined that substantially all net assets of the Company will be liquidated in the next twelve months and the Company will cease trading, the consolidated financial statements have not been prepared on a going concern basis, but instead using a liquidation basis of accounting. Under the liquidation basis of accounting, the Company

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measures its assets based on the lower of the assets carrying amount and its net realizable value, and its liabilities at their settlement amount.

Hombre Muerto North Lithium Project (“HMN Project”)

The Company owned the project which was acquired through a purchase option agreement from a private borate producer from Salta, Argentina. The Company had capitalized a total of \$Nil (December 31, 2024 - \$12,085,974) related to the HMN acquisition as a result of a reclassification to Asset held for sale. Terms of the acquisition were as follows:

1. US \$50,000 (paid) on signing for a 90-day due diligence period and for the completion of a NI 43-101 Technical Report on the project.
2. Upon acceptance of the NI 43-101 report by the TSX, the Company will pay US \$100,000 and issue 1,000,000 common shares of the Company common stock (issued at a fair value of \$350,000 in fiscal 2017).
3. At March 17, 2018, US \$250,000 (paid) and 41,667 common shares of the Company (issued at a fair value of \$250,000).
4. At September 17, 2018, US \$250,000 (paid) and 41,667 common shares of the Company (issued at a fair value of \$200,000).
5. At March 17, 2019, US \$1,000,000 subsequently amended to be US\$500,000 (paid) due in March 2019 and US\$500,000 due June 24, 2019 (paid) and 166,667 common shares of the Company. (issued)
6. At March 22, 2020, US \$1,000,000 (paid) and 2,250,000 (issued at a fair value of \$528,750) common shares of the Company.
7. At March 17, 2021, US \$1,000,000 (paid) and 2,250,000 (issued at a fair value of \$1,822,500) common shares of the Company.
8. At March 17, 2022, US \$2,000,000 (paid) and 2,250,000 (issued at a fair value of \$1,315,000) common shares of the Company.
9. The project will be subject to a 3% Net Production Royalty.

On July 16, 2025, the Company entered into an agreement with an arm’s length party for an option purchase of the Hydra X 1 and Hydra X 2 claim blocks located near the Company holdings on the Hombre Muerto salar. Terms for the purchase option are a purchase price of US\$2-million payable upon the commencement of construction of the project, or the sale of the project and/or Company. The purchase option is at arm's length for the Company.

On July 22, 2025 and further announced on August 7, 2025, September 22, 2025, November 12, 2025, November 20, 2025, and December 8, 2025 the Company announced that it has signed a Share Purchase Agreement (“SPA”) with POSCO Argentina S.A.U. (“POSCO”) which establishes the terms for the sale of NRG Metals Argentina S.A., the wholly owned subsidiary of the Company (the “Transaction”) and 100% holder of the Hombre Muerto North Lithium Project, Sophia I, II and III claims as well as the recently acquired Hydra X and XI claims located in Salta Province, Argentina. Terms of the sale is a cash price of US\$65 million before taxes, payment of the Hydra X and XI claims and other closing costs.

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On February 19, 2026, the shareholders of the Company approved the transaction at the Company's annual general and special meeting.

On April 7, 2026, the Company completed the sale to POSCO.

Results of Operations

The Company incurred a loss of \$711,824 during the three months ended March 31, 2026 ("current period"), compared to a loss of \$414,341 for the three months ended March 31, 2025 ("comparative period"). The increase in loss was a result of an increase in Administration and professional fees as a result of the Company working to close the transaction as outlined above.

Summary of Quarterly Results

| | Three Months Ended Mar. 31, 2026 | Three Months Ended Dec. 31, 2025 | Three Months Ended Sept. 30, 2025 | Three Months Ended June 30, 2025 |
|-----------------------------------|--|--|---|--|
| Total assets | \$14,488,505 | \$12,633,915 | \$12,613,112 | \$12,340,372 |
| Evaluation and exploration assets | - | - | 12,085,974 | 12,085,974 |
| Working capital (deficiency) | 13,343,663 | 11,265,319 | (771,453) | (986,951) |
| Shareholders' equity | 13,343,663 | 11,265,319 | 11,413,577 | 11,203,906 |
| Loss for the period | (711,824) | (359,440) | (1,366,554) | (710,878) |
| Loss per share | (0.00) | (0.00) | (0.01) | (0.01) |

| | Three Months Ended Mar. 31, 2025 | Three Months Ended Dec. 31, 2024 | Three Months Ended Sept. 30, 2024 | Three Months Ended June 30, 2024 |
|-----------------------------------|--|--|---|--|
| Total assets | \$12,540,226 | \$12,943,447 | \$13,551,711 | \$14,543,829 |
| Evaluation and exploration assets | 12,085,974 | 12,085,974 | 12,085,974 | 12,085,974 |
| Working capital (deficiency) | (695,030) | (280,863) | 1,326,164 | 2,225,494 |
| Shareholders' equity | 11,501,654 | 11,921,648 | 13,538,746 | 14,447,333 |
| Loss for the period | (419,994) | (1,617,098) | (908,587) | (1,276,687) |
| Loss per share | (0.00) | (0.02) | (0.01) | (0.01) |

Liquidity and Going Concern

The Company has financed its operations to date primarily through the issuance of common shares, proceeds from related-party loans and the exercise of stock options and share purchase

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warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The shareholder's of the Company have approved a plan to payout the proceeds from the sale of its subsidiary as part of the share redemption process which will result in the Company becoming a private company. As such, liquidation account has been applied and these financial statements have not been prepared on a going concern basis.

Contingencies

The Company has no contingencies at the date of this MD&A.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements at the date of this MD&A.

Investor Relations

The Company has no investor relations agreements as at the date of this MD&A.

Related Party Transactions

The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel, such personnel include the Company's Directors, Chief Executive Officer, Chief Financial Officer and Corporate Secretary:

| | 2026 | 2025 |
|--|------------|------------|
| Consulting, management, exploration and professional fees charged by officers and directors and corporations under their control | \$ 201,348 | \$ 208,368 |

Key management personnel were not paid any post-employment benefits, termination benefits, or other long-term benefits during the respective periods.

At March 31, 2026, the Company had a total amount due to related parties of \$484,808 (December 31, 2025 - \$484,808) classified within accounts payable and accrued liabilities. Amounts due to related parties are unsecured, due on demand, and bear no interest.

Financial and Capital Risk Management

The Company's financial instruments consist of cash, receivables, short-term investments and accounts payable and accrued liabilities. Cash has been designated as fair value through profit and loss, receivables as loans and receivables, and accounts payable and accrued liabilities and related party loans payable are designated as other financial liabilities. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments, except for cash which is valued at a level 1 fair value measurement. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and other price risk. There has been no change in the way management managed these risks for the period.

Currency risk

While the Company's parent is Canadian and its capital is raised in Canadian dollars, the Company was conducting business in Argentina, whose currency is the Peso. As such, it was subject to risk due to fluctuations in the exchange rates for the United States and Canadian dollars as well as the Argentina Peso. The Company does not manage currency risk through hedging or other currency management tools.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The cash is held in a large Canadian financial institution, which has a strong credit rating from a primary credit rating institution. There is no risk associated with receivables as this is Goods and Services Tax ("GST") due from the Canadian Government.

Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

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Due to the short-term nature of the Company's financial instruments fluctuations in market rates do not have a significant impact on estimated fair values as of March 31, 2026. Future cash flows from interest income on cash will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity issuances. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. Cash has been designated as fair value through profit and loss, receivables as loans and receivables, and accounts payable and accrued liabilities and related party loans payable are designated as other financial liabilities. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments, except for cash which is valued at a level 1 fair value measurement. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms.

Capital management

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, contributed surplus and deficit.

The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

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The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and investments.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments payable on demand. This strategy is unchanged from the prior year.

The Company is not subject to externally imposed capital restrictions.

Current Share Data

As at the date of this MD&A, the common shares outstanding are as follows:

| | Number of Shares |
|----------|------------------|
| Balance, | 122,863,486 |

As at the date of this MD&A, the Company has 9,718,477 share purchase warrants exercisable at \$0.40 per share to June 30, 2029 and 8,770,000 stock option exercisable between \$0.11 and \$0.36.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Cautionary Statement on Forward Looking Information

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: evaluation and exploration asset costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.