

BLACK SPRUCE EXPLORATION INC.

(FORMERLY LITHIUM ONE METALS INC.)

Condensed Consolidated Interim Financial Statements

Six Months Ended December 31, 2025 and 2024

(Unaudited – Expressed in Canadian dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements. The accompanying condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

BLACK SPRUCE EXPLORATION INC.
(formerly Lithium One Metals Inc.)

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	December 31, 2025 \$ (unaudited)	June 30, 2025 \$
ASSETS			
Current assets			
Cash		6,055	40,413
Receivables	12	93,636	84,272
Prepaid expenses		35,730	43,295
Total current assets		135,421	167,980
Non-current assets			
Deposits		54,262	54,262
Right-of-use asset	3	264,391	325,264
Exploration and evaluation assets	4,12	3	3
Total non-current assets		318,656	379,529
TOTAL ASSETS		454,077	547,509
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7,12	1,877,103	1,546,314
Loans payable	5	1,007,332	968,405
Current portion of lease liability	6	92,817	78,963
Total current liabilities		2,977,252	2,593,682
Non-current liabilities			
Long-term portion of lease liability	6	200,180	285,611
Total liabilities		3,177,432	2,879,293
Shareholders' deficiency			
Share capital	8	17,461,143	17,461,143
Commitment to issue shares	9	16,625	16,625
Share-based payment reserve	8,10,11	2,359,194	2,359,194
Deficit		(22,560,317)	(22,168,746)
Total shareholders' deficiency		(2,723,355)	(2,331,784)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		454,077	547,509

Nature and continuance of operations (Note 1)

Commitments (Note 16)

Approved and authorized for issuance by the Board of Directors on February 18, 2026:

/s/ "Nav Dhaliwal"

Nav Dhaliwal, Director

/s/ "Chris Cooper"

Chris Cooper, Director

See accompanying notes to the condensed consolidated interim financial statements.

BLACK SPRUCE EXPLORATION INC.
(formerly Lithium One Metals Inc.)

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
For the Six Months Ended December 31,
(Unaudited – Expressed in Canadian Dollars)

		Three Months Ended December 31, 2025	Three Months Ended December 31, 2024	Six Months Ended December 31, 2025	Six Months Ended December 31, 2024
	Note	\$	\$	\$	\$
Expenses					
Consulting fees (recovery)	12	(48,750)	22,000	116,250	37,000
Depreciation	3	13,071	22,692	35,763	45,384
General and administrative	12	9,852	10,853	20,723	21,701
Management and directors' fees (recovery)	12	75,000	-	150,000	(58,372)
Professional fees	12	25,491	80,484	67,657	131,694
Rent recovery	12	(36,206)	(36,461)	(72,384)	(71,431)
Shareholder communications and promotion		1,516	1,412	2,791	4,412
Transfer agent and filing fees		12,165	5,854	13,713	6,414
Total expenses		(52,139)	(106,834)	(334,513)	(116,802)
Other income (expense)					
Interest and accretion expense	5,6	(25,210)	(15,961)	(57,058)	(32,535)
Interest income	-	-	-	-	13
Net loss and comprehensive loss for the period		(77,349)	(122,795)	(391,571)	(149,324)
Loss per share – basic and diluted		(0.00)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares outstanding		27,630,732	27,630,732	26,630,732	27,362,616

See accompanying notes to the condensed consolidated interim financial statements.

BLACK SPRUCE EXPLORATION INC.
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Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
(Unaudited – Expressed in Canadian Dollars)

	Share Capital		Commitment to Issue Shares \$	Share-based Payment Reserve \$	Deficit \$	Total Shareholders' Equity \$
	Number of Shares	Amount \$				
Balance, June 30, 2024	26,964,066	17,411,143	16,625	2,359,194	(9,941,080)	9,845,882
Shares issued for exploration and evaluation assets	666,666	50,000	-	-	-	50,000
Net loss for the period	-	-	-	-	(149,324)	(149,324)
Balance, December 31, 2024	27,630,732	17,461,143	16,625	2,359,194	(10,090,404)	9,746,558
Net loss for the period	-	-	-	-	(12,078,342)	(12,078,342)
Balance, June 30, 2025	27,630,732	17,461,143	16,625	2,359,194	(22,168,746)	(2,331,784)
Net loss for the period	-	-	-	-	(391,571)	(391,571)
Balance, December 31, 2025	27,630,732	17,461,143	16,625	2,359,194	(22,560,317)	(2,723,355)

See accompanying notes to the condensed consolidated interim financial statements.

BLACK SPRUCE EXPLORATION INC.
(formerly Lithium One Metals Inc.)

Condensed Consolidated Interim Statements of Cash Flows
For the Six Months Ended December 31,
(Unaudited – Expressed in Canadian Dollars)

	2025	2024
	\$	\$
Operating activities		
Net loss for the period	(391,571)	(149,324)
Items not involving cash:		
Depreciation	35,763	45,384
Interest and accretion expense	57,058	32,535
Changes in non-cash working capital items:		
Receivables	(9,364)	(31,265)
Prepaid expenses	7,565	4,266
Accounts payable and accrued liabilities	330,789	(39,296)
Net cash flows provided by (used in) operating activities	30,240	(137,700)
Investing activity		
Exploration and evaluation asset expenditures, net of recovery	-	(19,875)
Net cash flows used in investing activity	-	(19,875)
Financing activity		
Repayments of lease liability	(64,598)	(63,424)
Net cash flows used in financing activity	(64,598)	(63,424)
Change in cash	(34,358)	(220,999)
Cash, beginning of period	40,413	239,902
Cash, end of period	6,055	18,903
Supplemental disclosure with respect to cash flows		
Interest paid	25,000	32,941
Income taxes paid	-	-
Non-cash investing and financing activities		
Fair value of common shares and warrants issued or to be issued for exploration and evaluation assets	-	50,000
Net decrease in exploration and evaluation asset expenditures in accounts payable and accrued liabilities	-	(93,000)

See accompanying notes to the condensed consolidated interim financial statements.

BLACK SPRUCE EXPLORATION INC.
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Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
(Unaudited – Expressed in Canadian Dollars)

1. Nature and continuance of operations

Black Spruce Exploration Inc. (the “Company”) was incorporated on August 30, 2006 under the *Business Corporations Act* of British Columbia, and changed its name from Yorkton Ventures Inc. to Lithium One Metals Inc. on April 20, 2022 and from Lithium One Metals Inc. to Black Spruce Exploration Inc. on December 4, 2025. The Company’s shares are traded on the TSX Venture Exchange (“TSX-V”) under the trading symbol BARK. The Company’s shares also trade on the OTC Pink in the United States under the symbol LOMEF. The Company’s head office is located at 1615 - 200 Burrard Street, Vancouver, British Columbia, V6C 3L6, Canada, and the registered office of the Company is located at 1500 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7, Canada.

On December 4, 2025, the Company consolidated its outstanding share capital on a three-for-one-basis. The share consolidation has been applied retrospectively and as a result all common shares, options, warrants, and per share amounts are stated on an adjusted basis.

The Company’s principal business activities are the exploration and evaluation of resource properties in North America. The Company is in the process of exploring its resource properties, but it has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or from proceeds of disposition. To date, the Company has not received any revenue from mining operations and is considered to be in the exploration stage.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of business. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. During the six months ended December 31, 2025, the Company incurred a net loss of \$391,571. As at December 31, 2025, the Company had a working capital deficit of \$2,841,831 and an accumulated deficit of \$22,560,317. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt on the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Material accounting policies

Statement of compliance

The condensed consolidated interim financial statements of the Company have been prepared in accordance with IFRS Accounting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). Therefore, these financial statements comply with International Accounting Standard 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements were authorized for issue on February 18, 2026, by the directors of the Company.

BLACK SPRUCE EXPLORATION INC.
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Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
(Unaudited – Expressed in Canadian Dollars)

2. Material accounting policies (continued)

Basis of preparation

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial assets measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars, unless otherwise specified.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. A subsidiary is an entity in which the Company has control, directly or indirectly. Control is defined as the investor being exposed, or having rights, to variable returns from its involvement with the investee and having the ability to affect those returns through its power over the investee. All material intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's subsidiaries as at December 31, 2025 are as follows:

Name	Place of Incorporation	Ownership % December 31, 2025	Ownership % June 30, 2025
1370835 BC Ltd.	British Columbia	100%	100%
Norris Lithium Inc. ("Norris")	British Columbia	100%	100%

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company and its subsidiaries is the Canadian dollar.

All financial information has been presented in Canadian dollars in these condensed consolidated interim financial statements, except when otherwise indicated.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities are translated at the rate of exchange prevailing when the assets were acquired or the liabilities incurred. Revenue, expense items, and capitalized exploration and evaluation expenditures are translated using the average rate of exchange during the financial statement periods, except for depreciation and amortization, which are translated at historic rates.

Foreign exchange gains and losses resulting from the translation of transactions and balances denominated in foreign currencies are included in profit or loss.

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Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
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2. Material accounting policies (continued)

Significant accounting judgments, estimates and assumptions

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously 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 from these estimates.

Significant Estimates

Lease liability

The Company estimates the discount rate applied in its lease liabilities, which is based on an analysis of its potential cost of borrowing, the cost of borrowing of comparable companies and the Company's risk factors.

Accrued indemnification and interest

The Company estimates the costs to indemnify flow-through share subscribers for their expected personal income tax reassessments and the related interest based on the amount invested by the subscribers and marginal income tax rates and deductions.

Significant Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the recoverability of exploration and evaluation assets and going concern assumption.

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely, either from future exploitation or sale, where activities have not reached a stage that permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

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Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
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2. Material accounting policies (continued)

Accounting standard issued but not yet effective

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18. This standard aims to improve the consistency and clarity of financial statement presentation and disclosures by providing updated guidance on the structure and content of financial statements. Key changes include enhanced requirements for the presentation of financial performance, financial position, and cash flows, as well as additional disclosures to improve transparency and comparability.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. The Company is currently assessing the impact that the adoption of IFRS 18 will have on its condensed consolidated interim financial statements.

3. Right-of-use asset

The Company entered into leases to use certain office space for its operations commencing on February 1, 2024. The Company is required to recognize a right-of-use asset representing its right to use this underlying leased asset over the lease term.

	Six Months Ended December 31, 2025 \$	Year Ended June 30, 2025 \$
Cost		
Balance, beginning and end of period	453,854	453,854
Adjustment	(25,110)	-
Balance, end of period	428,744	453,854
Accumulated depreciation		
Balance, beginning of period	128,590	37,820
Depreciation	35,763	90,770
Balance, end of period	164,353	128,590
Net book value, beginning of period	325,264	416,034
Net book value, end of period	264,391	325,264

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Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
(Unaudited – Expressed in Canadian Dollars)

4. Exploration and evaluation assets

	Québec Lithium Properties \$	Ontario Lithium Properties \$	Total \$
Acquisition costs:			
Balance, June 30, 2024	9,883,980	937,313	10,821,293
Additions – shares	50,000	-	50,000
Claim costs	1,874	-	1,874
Impairment	(9,935,853)	(937,311)	(10,873,164)
Balance, June 30, 2025 and December 31, 2025	1	2	3
Exploration costs:			
Balance, June 30, 2024	1,132,287	7,036	1,139,323
Geological recovery (Note 12)	(72,000)	-	(72,000)
Tax credits	(100,013)	-	(100,013)
Impairment	(960,274)	(7,036)	(967,310)
Balance, June 30, 2025 and December 31, 2025	-	-	-
Net carrying value, June 30, 2025	1	2	3
Net carrying value, December 31, 2025	1	2	3

During the year ended June 30, 2025, the Company received a tax refund of \$100,013 in relation to 2023 expenditures from Revenu Québec.

(a) Québec Lithium Properties

Cyr-Kapiwak Property

On December 3, 2021, the Company entered into an agreement to acquire a 100% interest in the Cyr-Kapiwak property located in Québec, Canada.

To acquire a 100% interest, the Company paid \$25,000 and issued 83,333 units (valued at \$112,500 for the shares and \$40,374 for the warrants). Each unit consisted of one common share and one share purchase warrant exercisable at \$1.80 for a period of 18 months.

In addition, the vendor retains a 2% net smelter return (“NSR”) royalty. The Company can purchase one-half of the NSR royalty at any time in exchange for a payment of \$1,000,000.

During the year ended June 30, 2025, management decided to discontinue exploration of the Cyr-Kapiwak Property and let the claims lapse. Accordingly, the Company recorded an impairment charge of \$176,662.

Sirmac Property

On January 11, 2022, the Company entered into an agreement to acquire a 100% interest in the Sirmac property located in Québec, Canada. To acquire the 100% interest, the Company paid \$25,000 and issued 83,333 units (valued at \$75,000 for the shares and \$25,090 for the warrants). Each unit consisted of one common share and one share purchase warrant exercisable at \$1.80 for a period of 18 months.

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Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
(Unaudited – Expressed in Canadian Dollars)

4. Exploration and evaluation assets (continued)

(a) Québec Lithium Properties (continued)

Sirmac Property (continued)

In addition, the vendor retains a 2% NSR royalty. The Company can purchase one-half of the NSR royalty at any time in exchange for a payment of \$1,000,000.

During the year ended June 30, 2024, management decided to discontinue exploration of the Sirmac Property and let the claims lapse. Accordingly, the Company recorded an impairment charge of \$138,769.

Taycan Property

On September 22, 2022, the Company entered into a mineral property option agreement whereby the Company could acquire a 100% interest in 70 mining claims located in Québec, Canada. The agreement was amended on October 16, 2023. To acquire the 100% interest, the Company was required to make the following cash and equity payments:

- Payment of \$100,000 (paid) and issuance of 400,000 common shares (issued and valued at \$588,000) and 400,000 share purchase warrants (issued and valued at \$380,194) exercisable at \$1.20 per common share for two years from the date of issuance within 10 days of TSX-V approval;
- Payment of \$200,000 (paid) and issuance of 333,333 common shares on or before December 15, 2023 (issued and valued at \$145,000); and
- Payment of \$300,000 and issuance of 666,666 common shares (issued and valued at \$50,000) on or before December 15, 2024.

Upon exercise of the option by the Company, the optionor would retain a 3% NSR royalty, two-thirds of which could be purchased by the Company for \$2,000,000.

During the year ended June 30, 2025, the Company did not make the final \$300,000 payment and the option agreement was terminated. Accordingly, the Company recorded an impairment charge of \$1,781,532.

Bugatti Property

On February 3, 2023, the Company entered into a mineral property option to acquire a 100% interest in the Bugatti property located in Québec, Canada. The agreement was amended on September 1, 2023, April 30, 2024 and July 9, 2024. To acquire the 100% interest, the Company made the following cash and share payments:

- Payment of \$20,000 (paid) upon execution of the agreement;
- Payment of \$75,000 (paid) and issuance of 500,000 common shares upon TSX-V approval (issued and valued at \$945,000);
- Issuance of 666,666 common shares on or before September 1, 2023 (issued and valued at \$460,000); and
- Payment of \$75,000 (paid) on or before October 31, 2023.

The optionor retains a 2% NSR royalty, one-half of which may be purchased by the Company for \$1,000,000.

During the year ended June 30, 2025, management decided to discontinue exploration of the Bugatti Property and let the claims lapse. Accordingly, the Company recorded an impairment charge of \$1,747,010.

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Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
(Unaudited – Expressed in Canadian Dollars)

4. Exploration and evaluation assets (continued)

(a) Québec Lithium Properties (continued)

Ferrari Property

On February 7, 2023, the Company entered into a mineral property option agreement to acquire a 100% interest in the Ferrari property located in Québec, Canada. The agreement was amended on September 14, 2023, April 30, 2024 and July 9, 2024. To acquire the 100% interest, the Company made the following cash and share payments:

- Payment of \$10,000 (paid) upon execution of the agreement;
- Payment of \$100,000 (paid) and issuance of 666,666 common shares upon TSX-V approval (issued and valued at \$1,200,000);
- Issuance of 666,666 common shares on or before October 12, 2023 (issued and valued at \$360,000); and
- Payment of \$100,000 (paid) on or before October 31, 2023.

The optionor retains a 3% NSR royalty, one-third of which may be purchased by the Company for \$1,000,000.

During the year ended June 30, 2025, management decided to discontinue exploration of the Ferrari Property and let the claims lapse. Accordingly, the Company recorded an impairment charge of \$1,994,401.

Highway and Bus Properties

As a result of the acquisition of Norris, the Company acquired 100% of the interest in the Highway and Bus properties.

On September 12, 2022, Norris entered into a purchase option agreement to acquire a 100% interest in the Highway and Bus properties located in Québec, Canada. The claims are subject to a 3% NSR royalty, of which one-third can be purchased by the Company within four years of the date of the option agreement for \$1,000,000, or \$2,500,000 thereafter.

Under the agreement, Norris and the Company made cash payments and issued common shares as follows:

- Cash payment of \$10,000 (paid) upon signing of the agreement;
- Cash payment of \$100,000 (paid) and the issuance of 448,000 common shares (issued and valued at \$800,000) upon regulatory acceptance;
- Cash payment of \$100,000 (paid) and the issuance of 448,000 common shares (issued and valued at \$1,220,000) by March 12, 2023; and
- Issuance of 448,000 common shares (issued and valued at \$161,280) by September 12, 2023.

The optionors may also earn an additional 784,000 common shares based on achieving certain milestones during exploration.

Norris was required to incur \$200,000 in exploration expenditures on the properties before September 12, 2024 (incurred).

During the year ended June 30, 2025, the Company recorded an impairment charge of \$5,196,522, as further exploration work on the Highway and Bus Properties was neither budgeted, nor planned.

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Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
(Unaudited – Expressed in Canadian Dollars)

4. Exploration and evaluation assets (continued)

(b) Ontario Lithium Properties

Root South Property

On December 20, 2022, the Company entered into an option agreement to acquire a 100% interest in certain mineral claims located in Ontario, Canada. To acquire a 100% interest, the Company was to make the following cash and share payments:

- Payment of \$19,000 (paid) and issuance of 43,333 common shares on TSX-V approval (issued and valued at \$65,000);
- Payment of \$19,000 and issuance of 43,333 common shares on or before January 11, 2024; and
- Payment of \$38,500 and issuance of 88,333 common shares on or before January 11, 2025.

Upon acquiring a 100% interest, the Company would grant the vendors a 2% NSR royalty, of which one-half could be repurchased for \$1,000,000.

On June 27, 2024, the Company completed an assignment of the Root South Property option agreement. The Company received an assignment fee of \$200,000 in exchange for the Company's exclusive right and option to acquire 100% of the rights, title and interest of the property. The purchaser acquiring the exclusive right is a related party, as it has a common officer.

As a result of the assignment, the Company recorded a gain on disposal of exploration and evaluation assets of \$50,729.

Allison South Property

On December 20, 2022, the Company entered into an option agreement to acquire a 100% interest in certain mineral claims located in Ontario, Canada. To acquire a 100% interest, the Company was to make the following cash and share payments:

- Payment of \$7,000 (paid) and issuance of 15,166 common shares on TSX-V approval (issued and valued at \$22,750);
- Payment of \$7,000 (paid) and issuance of 15,166 common shares on or before January 11, 2024 (issued and valued at \$1,365); and
- Payment of \$12,500 and issuance of 30,333 common shares on or before January 11, 2025.

Upon acquiring a 100% interest, the Company would grant the vendors a 2% NSR royalty, of which one-half could be repurchased for \$1,000,000.

During the year ended June 30, 2024, the Company decided to discontinue the option agreement and recorded \$118,435 in impairment against the property.

During the year ended June 30, 2025, the Company recorded an additional \$1,366 of impairment against the property.

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Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
(Unaudited – Expressed in Canadian Dollars)

4. Exploration and evaluation assets (continued)

(b) Ontario Lithium Properties (continued)

Adamhay Property

On December 20, 2022, the Company entered into an option agreement to acquire a 100% interest in certain mineral claims located in Ontario, Canada. The agreement was amended on April 5, 2024. To acquire a 100% interest, the Company was to make the following cash and share payments:

- Payment of \$12,000 (paid) upon execution of the option agreement;
- Issuance of 100,000 common shares on TSX-V approval (issued and valued at \$150,000);
- Payment of \$18,000 on or before July 11, 2024;
- Payment of \$21,000 on or before January 11, 2025; and
- Payment of \$30,000 on or before January 11, 2026.

Upon acquiring a 100% interest, the Company would grant the vendors a 1.5% NSR royalty, of which one-third could be repurchased for \$500,000.

During the year ended June 30, 2024, the Company decided to discontinue the option agreement and recorded \$175,168 in impairment against the property.

During the year ended June 30, 2025, the Company paid \$12,500 for settlement with the vendor, which was accrued at June 30, 2024 and recorded in impairment of exploration and evaluation assets.

Dagny Property

On December 20, 2022, the Company entered into an option agreement to acquire a 100% interest in certain mineral claims located in Ontario, Canada. The agreement was amended on April 5, 2024. To acquire a 100% interest, the Company was to make the following cash and share payments:

- Payment of \$12,000 (paid) upon execution of the option agreement;
- Issuance of 100,000 common shares on TSX-V approval (issued and valued at \$150,000);
- Payment of \$18,000 on or before July 11, 2024;
- Payment of \$21,000 on or before January 11, 2025; and
- Payment of \$30,000 on or before January 11, 2026.

Upon acquiring a 100% interest, the Company would grant the vendors a 1.5% NSR royalty, of which one-third could be repurchased for \$500,000.

During the year ended June 30, 2024, the Company decided to discontinue the option agreement and recorded \$173,938 in impairment against the property.

During the year ended June 30, 2025, the Company paid \$12,500 for settlement with the vendor, which was accrued at June 30, 2024 and recorded in impairment of exploration and evaluation assets.

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(formerly Lithium One Metals Inc.)

Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
(Unaudited – Expressed in Canadian Dollars)

4. Exploration and evaluation assets (continued)

(b) Ontario Lithium Properties (continued)

Solitude Property

As a result of the acquisition of Norris, the Company acquired 100% of the interest in the Solitude property.

On June 2, 2021, Norris entered into a purchase option agreement with parties that included a non-arm's length party. Pursuant to the agreement, Norris acquired a 100% interest in seven mineral claims known as the Solitude property located in Ontario, Canada. The claims are subject to a 1.5% NSR royalty, of which one-third can be purchased by the Company at any time for \$500,000.

Under the terms of the agreement, Norris made cash payments of \$83,000 and issued 67,200 common shares.

During the year ended June 30, 2025, the Company recorded an impairment charge of \$388,350, as further exploration work on the Solitude Property was neither budgeted nor planned.

Alice Lithium Property

As a result of the acquisition of Norris, the Company acquired 100% of the interest in the Alice Lithium property.

On August 8, 2023, Norris entered into an agreement to acquire a 100% interest in the Alice Lake mineral property located in Ontario, Canada. To acquire the 100% interest, Norris paid \$100,000 and issued 224,000 common shares. In addition, the vendor retains a 2% NSR royalty. The Company can purchase one-half of the NSR royalty in exchange for \$1,000,000.

During the year ended June 30, 2025, the Company recorded an impairment charge of \$554,631, as further exploration work on the Alice Lithium Property was neither budgeted nor planned.

Commitment to Issue Shares

At December 31, 2025, the Company had a commitment to issue 158,333 common shares of the Company valued at \$16,625 for outstanding payments on option agreements that were terminated during the year ended June 30, 2024.

BLACK SPRUCE EXPLORATION INC.
(formerly Lithium One Metals Inc.)

Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
(Unaudited – Expressed in Canadian Dollars)

5. Loans payable

Continuity of the Company's loans payable is as follows:

	Six Months Ended December 31, 2025 \$	Year Ended June 30, 2025 \$
Balance, opening	968,405	-
Loan proceeds	-	934,467
Interest	38,927	33,938
Balance, closing	1,007,332	968,405

On December 30, 2024, the Company entered into a loan agreement for up to \$1,200,000 in order to indemnify flow-through share subscribers for their expected personal income tax reassessments (Note 7). Any funds advanced under the loan agreement bear interest at 6% per annum. The Company is required to make loan repayments of 75% of the net proceeds of any asset sale, or 30% of the net proceeds of any non-flow-through equity financing after the first \$1,500,000 aggregate gross proceeds raised in one or more financings after the agreement date. The Company has pledged the shares of Norris as security for the loan, which includes ownership of the Highway and Bus, Solitude and Alice Lithium properties. The maturity date of the loan is June 30, 2025.

The loan, which was originally scheduled to mature on June 30, 2025, was not repaid at its maturity date. This event constituted a default under the loan agreement. As a result of the default, the interest rate on the outstanding principal has been automatically increased to 8% per annum, effective from February 1, 2025. See Note 16.

6. Lease liability

The Company entered into an office lease expiring in 2029 discounted at an interest rate of 16% per annum.

	Six Months Ended December 31, 2025 \$	Year Ended June 30, 2025 \$
Balance, beginning of period	364,574	429,924
Adjustment	(25,110)	-
Accretion expenses	18,131	62,475
Repayments	(64,598)	(127,825)
Balance, end of period	292,997	364,574
Less: current portion	(92,817)	(78,963)
Non-current portion	200,180	285,611

7. Flow-through share indemnification and interest

On December 23, 2022, Norris issued flow-through shares for gross proceeds of \$3,315,000. The flow-through share proceeds were renounced to subscribers effective on December 31, 2022. The Company, through Norris, had a commitment to incur qualifying Canadian exploration expenditures in relation to the flow-through financing by December 31, 2023, which was not fully met.

BLACK SPRUCE EXPLORATION INC.
(formerly Lithium One Metals Inc.)

Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
(Unaudited – Expressed in Canadian Dollars)

7. Flow-through share indemnification and interest (continued)

The Company incurred actual qualifying expenditures of approximately \$1,300,000 in Québec and approximately \$618,000 in additional expenditures in Ontario, and amended its flow-through filings to renounce \$1,918,000. Accordingly, effective December 31, 2023, the Company accrued a \$1,315,000 provision for the estimated cost to indemnify flow-through share subscribers for their expected personal income tax reassessments by the Canada Revenue Agency and Revenu Québec. The indemnifications are provided for in the underlying subscription agreements for the private placements and recorded in accounts payable and accrued liabilities as at June 30, 2024.

On December 30, 2024, the Company drew \$934,467 from the loan (Note 5) to pay \$922,389 of indemnifications and \$12,078 of the lender's legal fees and disbursements.

As at December 31, 2025 and June 30, 2025, the Company has also accrued \$254,060 for federal Part XII.6 tax and similar Québec tax in accounts payable and accrued liabilities.

8. Share capital

Authorized share capital

Unlimited number of common shares without par value

Issued

Share transactions for the six months ended December 31, 2025:

There were no share transactions for the six months ended December 31, 2025.

Share transactions for the year ended June 30, 2025:

On September 12, 2024, the Company issued 666,666 common shares in connection with the Taycan property agreement valued at \$50,000 (Note 4(a)).

9. Commitment to issue shares

On April 30, 2024, the Company discontinued the option agreements on the Sharp Lake and Parks properties. The Company is required to issue 33,333 and 125,000 common shares (valued at \$3,500 and \$13,125, respectively) in relation to the termination of option agreements for the properties, respectively (Note 4(b)).

10. Stock options

The Company has implemented a stock option plan pursuant to which stock options may be granted to directors, officers, employees and consultants of the Company. The Company may grant stock options to a maximum of 10% of the issued shares of the Company at the date of granting the stock options. The minimum exercise price of each stock option must not be less than the discounted market price (as permissible by TSX-V policy). Stock options are exercisable over periods of up to ten years and vesting periods can be imposed at the discretion of the board of directors.

BLACK SPRUCE EXPLORATION INC.
(formerly Lithium One Metals Inc.)

Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
(Unaudited – Expressed in Canadian Dollars)

10. Stock options (continued)

A summary of stock option activities is as follows:

	Number of Options	Weighted Average Exercise Price \$
Balance, June 30, 2024 and 2025	981,333	1.65
Cancelled	(786,000)	1.60
Expired	(112,000)	2.25
Balance, December 31, 2025	83,333	1.20

Outstanding and exercisable stock options as at December 31, 2025 are as follows:

Options Outstanding	Options Exercisable	Exercise Price \$	Weighted Average Remaining Contractual Life (Years)	Expiry Date
83,333	83,333	1.20	0.24	March 29, 2026

11. Share purchase warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price \$
Balance, June 30, 2024	2,115,840	0.96
Expired	(2,115,840)	0.96
Balance, June 30, 2025 and December 31, 2025	-	-

12. Related party transactions

The Company considers its chief executive officer, chief financial officer and directors to be key management personnel. These amounts of key management compensation are included in the amounts shown in profit or loss:

	Six Months Ended December 31, 2025 \$	Six Months Ended December 31, 2024 \$
Short-term compensation (recovery)	255,000	(103,372)

BLACK SPRUCE EXPLORATION INC.
(formerly Lithium One Metals Inc.)

Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
(Unaudited – Expressed in Canadian Dollars)

12. Related party transactions (continued)

Short-term compensation was paid or accrued as follows:

- A recovery of \$nil (2024 - \$75,000) in exploration and evaluation asset expenditures from/to a private company controlled by the former chief executive officer;
- \$150,000 (2024 - recovery \$58,372) in management and directors' fees from/to a private company controlled by the chief executive officer (formerly executive chairman);
- \$30,000 (2024 - \$30,000) in professional fees to a private company controlled by the chief financial officer; and
- \$75,000 (2024 - \$nil) in consulting fees to a private company controlled by a director.

As at December 31, 2025, the Company owed \$501,199 (June 30, 2025 - \$206,096) to companies controlled by current and previous directors and officers of the Company, which is included in accounts payable and accrued liabilities. The amounts are unsecured and without interest.

During the six months ended December 31, 2025, the Company also paid \$15,000 (2024 - \$15,000) in shared office expenses included in general and administrative to a private company controlled by the chief executive officer of the Company.

During the six months ended December 31, 2025, the Company recorded rent recovery of \$108,000 (2024 - \$106,000) with companies with a common officer or director. At December 31, 2025, \$84,000 (June 30, 2025 - \$79,800) of rent recovery was included in receivables.

13. Financial instruments and risk management

(a) Fair value

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include cash, deposits, receivables, accounts payable and accrued liabilities, lease liability and loans payable approximate their carrying values due to the nature of these instruments.

(b) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of cash represents the maximum credit exposure.

BLACK SPRUCE EXPLORATION INC.
(formerly Lithium One Metals Inc.)

Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
(Unaudited – Expressed in Canadian Dollars)

13. Financial instruments and risk management (continued)

(c) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Company is not exposed to any significant foreign exchange risk.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk, as it does not have any liabilities with variable rates.

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company relies on raising debt or equity financing in a timely manner.

The following amounts are the contractual maturities of financial liabilities as at December 31, 2025 and June 30, 2025:

	Total	Within 1 Year	Within 2-5 Years
	\$	\$	\$
December 31, 2025			
Accounts payable and accrued liabilities	1,877,103	1,877,103	-
Loans payable	1,007,332	1,007,332	-
Lease liability	358,183	131,348	226,835
	3,242,618	3,015,783	226,835
June 30, 2025			
Accounts payable and accrued liabilities	1,546,314	1,546,314	-
Loans payable	968,405	968,405	-
Lease liability	476,456	129,978	346,478
	2,991,175	2,644,697	346,478

(f) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

BLACK SPRUCE EXPLORATION INC.
(formerly Lithium One Metals Inc.)

Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended December 31, 2025 and 2024
(Unaudited – Expressed in Canadian Dollars)

14. Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, commitment to issue shares and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its board of directors, will balance its overall capital structure through new share issuances or by undertaking other activities deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements, and the Company's overall strategy with respect to capital risk management remains unchanged for the six months ended December 31, 2025.

15. Segmented disclosure

The Company has one operating segment, being mineral exploration and development. All of the Company's assets are located in Canada.

16. Commitments and contingencies

The Company entered into an office lease agreement that commenced on February 1, 2024 and expires on January 31, 2029 (Note 6) with basic rent per fiscal year approximately as follows:

Period	\$
Fiscal 2026	65,576
Fiscal 2027	132,523
Fiscal 2028	134,872
Fiscal 2029	25,213
	358,184

During the six months ended December 31, 2025, the Company was served with a Statement of Claim from the Ontario Superior Court of Justice. The claim alleges that the Company owes \$968,405 to the plaintiff as at June 30, 2025, pursuant to a loan agreement. A judgment was issued requiring the Company to pay the sum of \$987,720 together with interest commencing on September 30, 2025 at the rate of 8.00% per annum and the Company has since consented to the judgment. The full value of the judgment is reflected in the condensed consolidated interim financial statements at December 31, 2025 and June 30, 2025 as loans payable (Note 5).