



# **LITHIUM SOUTH DEVELOPMENT CORPORATION**

**CEO'S LETTER TO SECURITYHOLDERS  
NOTICE OF MEETING  
MANAGEMENT INFORMATION CIRCULAR**

FOR THE

**ANNUAL GENERAL AND SPECIAL MEETING OF SECURITYHOLDERS OF  
LITHIUM SOUTH DEVELOPMENT CORPORATION**

TO BE HELD ON

**THURSDAY, FEBRUARY 19, 2026  
9:00 A.M. (PACIFIC TIME)  
SUITE 400 – 1681 CHESTNUT STREET  
VANCOUVER, BRITISH COLUMBIA, V6J 4M6, CANADA**

**LITHIUM SOUTH DEVELOPMENT CORPORATION  
CEO'S LETTER TO THE SECURITYHOLDERS**

January 16, 2026

The Board of Directors (the “**Board**”) of Lithium South Development Corporation (the “**Company**”) cordially invites the holders (the “**Shareholders**”) of common shares (the “**Shares**”) of the Company, the holders (“**Optionholders**”) of incentive stock options of the Company (the “**Options**”) and the holders (the “**Warrantholders**” and together with the Shareholders and the Optionholders, the “**Securityholders**”) of common share purchase warrants of the Company (the “**Warrants**”) to attend the annual general and special meeting (the “**Meeting**”) of Securityholders to be held at the offices of the Company at Suite 400 – 1681 Chestnut Street, Vancouver, British Columbia, V6J 4M6 on Thursday, February 19, 2026, at 9:00 am (Pacific Time).

**Sale of Subsidiary**

At the Meeting, Shareholders will be asked to consider and vote on a special resolution (the “**Disposition Resolution**”) approving the arm’s length sale by the Company of all of the issued and outstanding shares of NRG Metals Argentina S.A. (the “**Subsidiary**”), a wholly-owned subsidiary of the Company, to POSCO (as defined below) for total consideration of USD\$65,000,000, payable in cash. At Closing POSCO shall deliver to the Company the Closing Date Amount (as defined in the Circular) minus the Withholding Tax Amount (as defined in the Circular).

As announced in the Company’s news releases dated July 30, 2025, August 7, 2025, September 22, 2025, November 12, 2025, November 20, 2025 and December 8, 2025, the Company has signed a Share Purchase Agreement dated December 5, 2025 (the “**Share Purchase Agreement**”) with POSCO Argentina S.A.U., a sole shareholder corporation organized and existing under the laws of Argentina, and Posco Holdings Inc., a company registered in Argentina (together, “**POSCO**”), both arm’s length parties to the Company, pursuant to which the Company wishes to sell and POSCO wishes to purchase 100% of the issued and outstanding shares (the “**Subsidiary Shares**”) of the Subsidiary, which holds 100% ownership of the Company’s HMN Project (as defined below), for a purchase price (the “**Purchase Price**”) comprised of USD\$65,000,000, payable in cash (the “**Sale of Subsidiary**”). At Closing POSCO shall deliver to the Company the Closing Date Amount minus the Withholding Tax Amount.

The Subsidiary owns 100% of the Hombre Muerto North Lithium Project (the “**HMN Project**”) located in the Salta and Catamarca Provinces, Argentina, in the heart of the lithium triangle. The HMN Project is adjacent to a U.S. billion-dollar lithium development by POSCO, now in lithium production. The HMN Project is comprised of the Sophia I, II and III claims and the recently-acquired Hydra X and XI claims located in the Salta and Catamarca Provinces, Argentina. The HMN Project is comprised of the following concessions: a) Mina Tramo, expediente 18.993; b) Mina Natalia Maria, expediente 18.830; c) Mina Gaston Enrique, expediente 18.824; d) Mina Norma Edit, expediente 18.829, e) Mina Alba Sabrina, expediente 18.823, f) Mina Viamonte, expediente 13.408; and g) Servidumbre para Mina Viamonte, expediente 13.849; all registered at the Juzgado de Minas y Comercial de Registro (Provincial Mining Court) in the Province of Salta. The HMN Project covers 3,286.65 hectares.

The Closing Date Amount will be paid by POSCO to the Company on the Closing Date (as defined in the Circular) of the Sale of Subsidiary to POSCO, subject to satisfaction of customary closing conditions, including but not limited to the Company receiving approval of the Disposition Resolution from the Shareholders (other than a Dissenting Shareholder) (as defined in the Circular) at the Meeting and conditional acceptance from the TSX Venture Exchange (“**TSXV**”).

Given that the Sale of Subsidiary to POSCO may constitute a sale of all or substantially all of the undertaking of the Company, at the Meeting, to be passed, the Disposition Resolution must be approved by at least 66⅔% of the votes cast by the Shareholders (other than Dissenting Shareholders) either present in person or represented by proxy at the Meeting.

Dissent Rights are available to Registered Shareholders with respect to the Sale of Subsidiary. See *The Sale of Subsidiary – Dissent Rights with Respect to the Sale of Subsidiary* in this Circular. The Sale of Subsidiary is also subject to acceptance by the TSXV. See *The Sale of Subsidiary – Regulatory Approvals and Shareholder Approvals* in this Circular.

### *Reasons for the Sale of Subsidiary*

The Board and management have undertaken a rigorous, multi-year review of strategic alternatives with the objective of maximizing shareholder value. This process included evaluating a range of potential transactions, including mergers, acquisitions, joint ventures, strategic partnerships, and financing options, in addition to continued stand-alone development of the HMN Project. Each alternative was assessed in light of the Company's competitive position, growth prospects, the prevailing conditions in the lithium market and actionability of the various alternatives.

Since acquiring the HMN Project in 2017, the Company has advanced the asset through exploration and development despite significant market fluctuations. While lithium prices surged to record highs in 2022, the subsequent decline created a challenging environment for securing development capital on terms that would not result in substantial Shareholder dilution. The HMN Project is currently at the Preliminary Economic Assessment (PEA) stage, and advancing it to a full Feasibility Study and construction-ready status would require substantial additional capital; an option the Board determined would entail considerable execution risk and significant Shareholder dilution to attract capital given prevailing market conditions.

Recognizing these challenges, management actively pursued strategic partnerships and joint ventures with credible industry participants. Over the course of this process, the Company executed 27 non-disclosure agreements with potential counterparties, including major automotive manufacturers and leading mining companies. Despite these efforts, no actionable alternative transaction materialized that could deliver comparable value to Shareholders as the Sale of Subsidiary to POSCO.

In early 2024, the Company successfully negotiated a cooperative development agreement with POSCO for certain overlapping claim blocks, establishing a constructive and professional relationship with one of the world's leading lithium producers.

Building on this relationship, discussions evolved throughout 2025 into a broader strategic dialogue regarding the HMN Project. Initially, POSCO expressed interest in a joint development arrangement; however, after extensive negotiations and counterproposals, the parties agreed to shift focus to a full acquisition of the HMN Project. Following this process, POSCO presented a final offer of the Purchase Price, which represented a significant premium to the Company's market capitalization at the time.

At a Board meeting held on December 4, 2025, after careful consideration of all available alternatives, including continued project development and further financing, the Board unanimously concluded that the negotiated transaction with POSCO represents the most attractive and certain path to maximize Shareholder value. The Sale of Subsidiary provides immediate liquidity and value certainty at an attractive valuation, avoids the risks and dilution associated with further development financing, and reflects the culmination of a thorough, multi-year strategic review process.

**The Board has unanimously approved the Sale of Subsidiary and unanimously recommends that the Shareholders vote *FOR* the Disposition Resolution. The full text of the Disposition Resolution is attached to the Circular as Appendix A.**

### **The Going Private Arrangement**

In planning for completion of the Sale of Subsidiary, the Board was searching for an efficient and expedient mechanism to distribute the Net Proceeds (as defined in the Circular) of the Sale of Subsidiary, being all of the assets of the Company, to the Shareholders.

Following the completion of the Sale of Subsidiary, the Company will also no longer meet the TSXV continuous listing requirements as it will have sold the Subsidiary. Upon review of the various alternatives available to the Company to distribute the Net Proceeds of the Sale of Subsidiary to its Shareholders and after consultation with its financial and legal advisors, the Board unanimously determined to complete a going private transaction by way of a plan of arrangement (the "**Going Private Arrangement**" and collectively with the Sale of Subsidiary, the "**Transactions**").

Under the terms of the Going Private Arrangement, the Company will repurchase all of its issued and outstanding Shares and:

- each Dissenting Shareholder will be deemed to transfer their Dissent Shares to the Company for cancellation in accordance with the Dissent Rights;
- each Shareholder (other than a Dissenting Shareholder) will receive the Cash Consideration (as defined in the Circular) of a minimum of \$0.505, in exchange for each Share held on the date the Going Private Arrangement is completed (“**Effective Time**”);
- each holder of an In-the-Money Option outstanding immediately prior to the Effective Time will receive in exchange therefor a cash payment from the Company equal to the amount by which the Cash Consideration exceeds the per share exercise price of such In-the-Money Option (the “**Option Consideration**”);
- each holder of an In-the-Money Warrant outstanding immediately prior to the Effective Time will receive in exchange therefor a cash payment from the Company equal to the amount by which the cash Consideration exceeds the per share exercise price of such In-the-Money Warrant (the “**Warrant Consideration**”);
- all Options and Warrants other than In-the-Money Options and In-the-Money Warrants will be cancelled; and
- Adrian Hobkirk, the Company’s current President, CEO and a director, will subscribe for one (1) Share to ensure that the Company has at least one Shareholder after closing of the Transactions to effect the post closing matters of the Transactions and deal with the Company’s ongoing obligations for a minimum period of 12 months at which time the Company may then be wound up.

Following the completion of the Going Private Arrangement, the Company will then immediately voluntarily apply to delist from the TSXV and apply to cease to be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. See *The Going Private Arrangement* in this Circular. Delisting the Company from the TSXV is subject to approval of the TSXV.

At the Meeting, if the Sale of Subsidiary is approved by the Shareholders, then, the Securityholders will be asked to consider and vote on a special resolution (the “**Arrangement Resolution**”) approving the Going Private Arrangement. To pass at the Meeting, the Going Private Arrangement must be approved by: (i) 66<sup>2/3</sup>% of the votes cast on the Arrangement Resolution by the Shareholders (other than Dissenting Shareholders) present in person or represented by proxy and entitled to vote at the Meeting; and (ii) 66<sup>2/3</sup>% of the votes cast on the Arrangement Resolution by Securityholders present in person or represented by proxy and entitled to vote at the Meeting, voting as a single class.

Dissent Rights are available to Registered Shareholders with respect to the Going Private Arrangement. See *The Going Private Arrangement – Dissent Rights with Respect to the Going Private Arrangement* in this Circular. The Going Private Arrangement is also subject to approval by the Court (as defined in the Circular) which, will consider, among other things, the fairness of the Going Private Arrangement to the Securityholders, and approval of the TSXV.

**The Board has unanimously approved the terms of the Going Private Arrangement and unanimously recommends that the Securityholders vote FOR the Arrangement Resolution. The full text of the Arrangement Resolution is attached to the Circular as Appendix B.**

Subject to obtaining the required approvals of the Securityholders, the Court and the TSXV, it is likely that the Transactions will be completed on or about March 16, 2026.

### **Procedure for Receipt of Cash Consideration**

#### *Shareholders*

If you are a Registered Shareholder (other than a Dissenting Shareholder), in order to receive the Cash Consideration, you must complete, date, sign and return the enclosed letter of transmittal (the “**Letter of Transmittal**”), in accordance with the instructions and procedural information set out therein and in the Circular, together with your share certificate(s) or direct registration system statement(s) (a “**DRS Statement**”) representing your Shares to Computershare Investor Services Inc. (the “**Depository**”) at the address specified in the Letter of Transmittal. You

are not required to send your share certificate(s) or DRS Statement(s) representing Shares to validly cast your vote in respect of the Disposition Resolution or the Arrangement Resolution.

Where Shares are evidenced only by a DRS Statement, there is no requirement to first obtain a share certificate for those Shares. Only a properly completed and duly executed and dated Letter of Transmittal, accompanied by the applicable DRS Statement(s), is required to be delivered to the Depositary in order to surrender those Shares under the Going Private Arrangement. **Do not send your Letter of Transmittal and share certificate(s)/DRS Statement(s) to the Company.**

Registered Shareholders must submit their Letter of Transmittal, together with their share certificate(s) or DRS Statement(s) to the Depositary prior to the second (2<sup>nd</sup>) anniversary of the Effective Date. Any share certificate or DRS Statement which immediately prior to the Effective Time represented outstanding Shares that were exchanged pursuant to the Plan of Arrangement that is not deposited with all other instruments required by the Plan of Arrangement, and any payment made by the Depositary pursuant to the Plan of Arrangement that has not been deposited or has been returned to the Depositary or that otherwise remains unclaimed, in each case, on or prior to the second (2<sup>nd</sup>) anniversary of the Effective Date, shall cease to represent a claim or interest of any kind or nature as a Securityholder of the Company. On such date, the consideration to which the former holder of the share certificate or DRS Statement referred to in the preceding sentence was ultimately entitled under the Plan of Arrangement shall be deemed to have been surrendered for no consideration to the Company. The Company nor the Depositary shall be liable to any person in respect of any amount delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

If the Arrangement Resolution is not approved or if the Going Private Arrangement is not otherwise completed, your share certificate(s) and/or DRS Statement(s) and any other documentation associated with the ownership of your Shares will be returned promptly by the Depositary. For additional information on how the Depositary will send the Cash Consideration, please refer to the details under *The Going Private Arrangement – Procedure for Receipt of Cash Consideration* in the Circular and the Letter of Transmittal.

Assuming completion of the Going Private Arrangement, non-registered Shareholders whose Shares are registered in the name of a broker, custodian, investment dealer or other intermediary, are not required to take any action and the Cash Consideration you are entitled to receive will be delivered to your intermediary through procedures in place for such purposes between CDS & Co. (in Canada), Cede & Co. (in the U.S.) or similar entities and such intermediaries. Non-registered Shareholders should contact their intermediary with any questions regarding this process.

On or as soon as practicable after the Effective Date, the Depositary shall pay or cause to be paid, on behalf of the Company, to each holder of In-the-Money Options or In-the-Money Warrants, as reflected on the applicable register maintained by or on behalf of the Company in respect thereof (in each case less any withholding taxes), the consideration to which such Securityholder has the right to receive under this Plan of Arrangement for their In-the-Money Options or In-the-Money Warrants, as applicable, by cheque or similar means.

#### *Holders of In-the-Money Options and In-the-Money Warrants*

On or as soon as practicable after the Effective Date, the Depositary will pay or cause to be paid, on behalf of the Company, to each In-the-Money Optionholder and In-the-Money Warrantholder, as reflected on the applicable register maintained by or on behalf of the Company in respect thereof (in each case less any amounts withheld pursuant to the Plan of Arrangement, if any) the consideration to which such Securityholder has the right to receive under the Plan of Arrangement for their In-the-Money Options or In-the-Money Warrants, as applicable, by cheque or similar means.

#### **How to Vote Your Securities**

Your vote is important regardless of the number of Securities you own. Even if you plan to attend the Meeting in person, we encourage Registered Shareholders, Optionholders and Warrantholders to take the time now to follow the instructions on the enclosed form of proxy so that your Securities can be voted at the Meeting in accordance with your instructions. We encourage you to use the internet or telephone voting options to ensure your vote is received prior to the voting deadline. Alternatively, you can complete, sign, date and return the enclosed form of proxy by mail. If you hold your Securities through a broker, trustee, financial institution or other intermediary, you are a non-registered Shareholder and you will receive instructions from such intermediary, or Broadridge Financial Solutions, Inc. on the

intermediary's behalf, on how to vote your Securities. We encourage non-registered Shareholders to carefully follow such instructions so that your Securities can be voted at the Meeting.

**For greater clarity, the Shareholders are entitled to one vote for each Share held and will be voting on all resolutions presented at the Meeting. The Optionholders and Warranholders are entitled to one vote for each Option and/or Warrant held along with the Shareholders, as a class, and will be voting on the Arrangement Resolution only.**

Voting Methods	 <b>Internet</b>	 <b>Telephone</b>
<b>Registered Shareholders, Optionholders and Warranholders</b> <i>Shares held in own name and represented by a physical share certificate or DRS Statement</i>	Vote online at <a href="http://www.investorvote.com">www.investorvote.com</a> Enter 15-digit control number	Telephone: 1-866-732-VOTE (8683) Toll Free in the US and Canada
<b>Non-Registered Shareholders</b> (also referred to as <b>Beneficial Shareholder</b> in the Circular) <i>Shares held with a broker, bank or other intermediary</i>	Vote online at <a href="http://www.proxyvote.com">www.proxyvote.com</a> Enter 16-digit control number	Call the number(s) listed on your voting instruction form

### Shareholder Questions

If you have any questions or need more information, including completing and submitting the Letter of Transmittal and share certificate(s) or DRS Statement(s), please contact Computershare Investor Services Inc., who is acting as the Depository under the Going Private Arrangement, at their General Shareholder Inquiries line at 1-800-564-6253 (toll free in North America) or international at 514.982.7555 (outside North America) or by email at [service@computershare.com](mailto:service@computershare.com).

On behalf of the Board, I would like to thank all of our Securityholders for their ongoing support as we prepare to take part in this important event in the Company's history.

### LITHIUM SOUTH DEVELOPMENT CORPORATION

*"Adrian Hobkirk"*

Adrian Hobkirk,  
 President and CEO